



UMZIMVUBU
— LOCAL MUNICIPALITY —

FINANCIAL STATEMENTS

30 JUNE 2014

Index

<i>Contents</i>	<i>Page</i>
General Information	1
Approval of the Financial Statements	3
Report of the Auditor General	4
Report of the Chief Financial Officer	5
Statement of Financial Position	11
Statement of Financial Performance	12
Cash Flow Statement	13
Statement Of Changes in Net Assets	14
Statement of Comparison of Budget and Actual Amounts	15
Accounting Policies	18
Notes to the Financial Statements	37
ANNEXURES as per GRAP 1.12	
A Schedule of External Loans	82
B Analysis of Property, Plant and Equipment	83
C Segmental Analysis of Property, Plant and Equipment	87
D Segmental Statement of Financial Performance	88
E (1) Reconciliation of financial performance by standard classification (GRAP 24)	89
E (2) Reconciliation of budgeted financial performance by municipal vote (GRAP 24)	90
E (3) Reconciliation of budgeted financial performance (GRAP 24)	91
E (4) Reconciliation of budgeted capital expenditure (GRAP 24)	92
E (5) Reconciliation of budgeted cash flows (GRAP 24)	93
F Disclosure of Grants and Subsidies in terms of section 123 of MFMA, 56 of 2003	94
G Disclosure of the Remuneration of Management (GRAP 20)	95
H Ratio analyses as required by MFMA (Circular 71)	99

GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2014

Mayor	Speaker	Chief Whip
KS Pangwa	ZO Sisilana	N Mbele
Members		Portfolio
MV Nkqayi		Infrastructure and Planning
VA Bulana		Community Services
LT Qasha		Corporate Services
Z Ndevu		Budget and Treasury
EN Ngalonkulu - Lebelo		Communications and SPU
N Mpumlwana		Local Economic Development
N Nkula		Exco Member
PK Thingathinga		Exco Member

AUDITORS

Auditor-General
East London
Eastern Cape

BANKERS

First National Bank
Mount Frere

ATTORNEYS

REGISTERED OFFICE

Erf 813 Main Street
Mount Frere

Private Bag X9020
Mount Frere
5090

Tel: (039) 255 0166
Fax: (039) 255 0167

Webpage: www.umzimvubu.gov.za

MUNICIPAL MANAGER

Mr. G.P.T. Nota

CHIEF FINANCIAL OFFICER

Mrs X. Venn

GENERAL INFORMATION (continued)

LEGAL FORM

Category B Municipality which operates in accordance with Chapter 7 of the Constitution of South Africa.

OBJECTIVES

The municipality strives, within its financial and administrative capacity, to achieve the following objects:

to provide democratic and accountable government for local communities
to ensure the provision of services to communities in a sustainable manner
to promote social and economic development
to promote a safe and healthy environment
to encourage the involvement of communities and community organisations in the matters of local government

GRADING

Grade 3

DEMARCATIION CODE

EC 442

JURISDICTION

Greater Umzinvubu area which includes:
Mount Frere, Mount Ayliff
and
various rural areas

2013/14

MEMBERS OF THE UMZIMVUBU LOCAL MUNICIPALITY COUNCILLORS

WARD	PROPORTIONAL
1 FJ Hem	N Nkula
2 AL Mwezula	SP Myingwa
3 MV Nkqayi	EN Ngalonkulu-Lebelo
4 MM Mpepanduku	N Mpumlwana
5 M Mpakumpaku	NE Pakkies
6 X Jona	T Mabindisa
7 NM Mlenzana	MM Gwanya
8 M Jojo	AZ Gwebani
9 ZJ Mendu	N Boyce
10 V Nyangane	NO Godlo
11 N Gogela	LT Qasha
12 ZB Mtebele	B Mngweba
13 CT Ndawo	NP Mlandu
14 BMA Zililo	UN Makanda
15 N Sonyabashi	PK Thingathinga
16 SAN Cekeshe	TA Mambi
17 S Mankanku	F Ntwakumba
18 NT Xezu	ZO Sisilana
19 N Jijana	N Mbele
20 V Ngabaza	KS Phangwa
21 FN Ngonyolo	NN Gcadinja
22 CM Ngalonkulu	VA Bulana
23 BT Ngqasa	N Mpanda
24 MH Kwekwile	SK Mnukwa
25 NA Sobahle	Z Ndevu
26 NP Ndabeni	B Ripa
27 S Nogcantsi	NA Matshongo

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 83-86 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr. G.P.T. Nota
Municipal Manager

Date

These Financial Statements have not been audited

UMZIMVUBU LOCAL MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS**

for the year ended 30 June 2014

REPORT OF THE CHIEF FINANCIAL OFFICER**1. INTRODUCTION**

It gives me great pleasure to present the Annual Financial Statements of Umzimvubu Local Municipality at 30 June 2014.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2012/13 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2014	2013
Surplus / (Deficit) before Appropriations	86 546 938	18 312 056
Surplus / (Deficit) at the end of the Year	386 286 872	299 755 373
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	28.61%	23.34%
Remuneration of Councillors	8.69%	7.82%
Collection Costs	0.00%	0.00%
Depreciation and Amortisation	15.34%	12.99%
Impairment Losses	1.36%	3.83%
Repairs and Maintenance	1.46%	1.37%
Interest Paid	1.11%	0.58%
Bulk Purchases	0.00%	0.00%
Contracted Services	3.54%	3.31%
Grants and Subsidies Paid	2.12%	18.39%
General Expenses	29.31%	23.58%
Current Ratio:		
Trade Creditors Days	36	38
Debtors	262	17

2.2 Performance Indicators:

INDICATOR	2014	2013
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	10.62%	1.32%
Liquidity Management:		
Liquidity Ratio	1.20	1.33
Liability Management:		
Capital Cost as percentage of Own Revenue	7.24%	5.52%

Financial Viability:		
Debt Coverage	6.94	8.72
Cost Coverage	0.32	0.34
Financial Performance		
Expenditure Management:		
Creditors to Cash and Investments	29.25%	25.00%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Umzimvubu Local Municipality can generally be classified as Rates and General and Economic Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2014 are as follows:

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	299 739 934	244 952 992	22.37	-	100.00
Operating income for the year	245 913 218	187 290 055	31.30	310 484 585	(20.80)
Appropriations for the year		(3 461)		-	-
	545 653 152	432 239 586	26.24	310 484 585	75.74
Expenditure:					
Operating expenditure for the year	159 366 280	168 977 998	(5.69)	191 828 355	(16.92)
Appropriations for the year		(36 478 346)		-	-
Closing surplus / (deficit)	386 286 872	299 739 934	28.87	118 656 230	225.55
	545 653 152	432 239 586	26.24	310 484 585	75.74
		(0)			

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	237 237 398	184 628 224	28.49	307 840 609	(22.93)
Expenditure	148 821 743	158 881 889	(6.33)	180 927 637	(17.75)
Surplus / (Deficit)	88 415 655	25 746 335	243.41	126 912 972	(30.33)
Surplus / (Deficit) as % of total income	37.27%	13.94%		41.23%	

3.2 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	8 675 820	2 661 831	225.93	2 643 976	228.14
Expenditure	10 544 537	10 096 110	4.44	10 900 719	(3.27)

Surplus / (Deficit)	(1 868 716)	(7 434 279)	(74.86)	(8 256 743)	(77.37)
Surplus / (Deficit) as % of total income	(21.54)%	(279.29)%		(312.29)%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R134 093 910 (2012/13: R50 017 689). Full details of Assets are disclosed in Notes 9, 10, 11, 12 and Appendices "B, C and E (4)" to the Annual Financial Statements.

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2014	2013
Grants and Subsidies	90.89%	100.00%

Capital Assets are funded to a great extent from grants and subsidies as the municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2014	2013
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	118 656 230	25 461 047
Revenue variances	(64 571 367)	(40 508 144)
Expenditure variances:		
Employee Related Costs	1 657 785	4 019 068
Remuneration of Councillors	6 219	1 102 897
Depreciation and Amortisation	2 006 413	10 043 600
Impairment Losses	12 397 547	10 526 555
Repairs and Maintenance	266 556	368 911
Interest Paid	59 292	(951 836)
Contracted Services	177 105	647 586
Grants and Subsidies Paid	6 047 633	3 824 579
General Expenses	4 835 793	1 171 821
Government Grants (Conditional)	2 384 200	2 644 938
Loss on disposal of Property, Plant and Equipment	2 623 531	(38 967)
Actual surplus before appropriations	86 546 938	18 312 056

DETAILS	2014	2013
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	118 656 230	25 461 047
Executive and Council	3 108 953	920 859
Finance and Administration	3 383 403	6 125 349
Planning and Development	(52 135 206)	(17 163 242)
Community and Social Services	15 619	(1 263 871)
Public Safety	7 129 914	2 405 377
Waste Management	6 388 026	1 826 537
Actual surplus before appropriations	86 546 938	18 312 056

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

5.2 Capital Budget:

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Variance actual 2013/14 / 2012/13 R	Budgeted 2013/14 R	Variance actual/ budgeted R
Executive and Council	129 003	910 058	(781 055)	315 000	(185 997)
Budget and Treasury	917 068	788 225	128 843	958 025	(40 957)
Corporate Services	877 622	-	877 622	1 394 420	(516 798)
Infrastructure and Planning	108 937 114	38 546 232	70 390 882	135 611 386	(26 674 272)
Community and Social Services	14 054 779	4 014 470	10 040 310	14 075 000	(20 221)
Waste Management	3 907 790	4 027 946	(120 155)	5 178 589	(1 270 799)
Public Safety	1 329 262	1 924 548	(595 286)	1 800 839	(471 577)
	134 093 910	50 211 478	83 882 432	164 993 540	(30 899 630)

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2014 amounted to R386 286 872 (30 June 2013: R299 755 373) and is made up as follows:

Capital Replacement Reserve	5 014 475
Capital Contributions from Government	364 892 879
Accumulated Surplus	<u>16 379 518</u>
	<u>386 286 872</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Government Contributions are utilised to offset the cost of depreciation of assets funded from Government Grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants are transferred to the reserve annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 21 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2014 was R32 995 163 (30 June 2013: R588 079).

Loans to the amount of R50 000 000 (2012/13: R0) was taken up during the financial year to enable the municipality to assist with bridging finance for the electrification of the area.

Refer to Note 18 and Appendix "A" for more detail.

8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R842 751 as at 30 June 2014 (30 June 2013: R868 290) and is made up as follows:

Long Service Awards Liability	<u>842 751</u>
	<u>842 751</u>

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 19 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R9 519 774 as at 30 June 2014 (30 June 2013: R9 121 203) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	9 519 774
	<u>9 519 774</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 20 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R35 914 933 as at 30 June 2014 (30 June 2013: R37 095 816) and is made up as follows:

Provisions	Note 13	134 814
Payables from Exchange Transactions	Note 14	12 592 061
Payables from Non-exchange Transactions	Note 15	2 445 081
Unspent Conditional Grants and Receipts	Note 16	3 150 060
Current Portion of Long-term Liabilities	Note 18	<u>17 592 917</u>
		<u>35 914 933</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R377 717 954 as at 30 June 2014 (30 June 2013: R268 159 560).

Refer to Note 9 and Appendices "B, C and E (4)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R871 425 as at 30 June 2014 (30 June 2013: R1 032 998).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 10 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Properties were R20 411 575 as at 30 June 2014 (30 June 2013: R23 679 800).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 11 and Appendix "B" for more detail.

14. HERITAGE ASSETS

The net value of Heritage Assets were R17 719 as at 30 June 2014 (30 June 2013: R17 719).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Refer to Note 12 and Appendix "B" for more detail.

15. CURRENT ASSETS

Current Assets amounted R66 540 818 as at 30 June 2014 (30 June 2013: R54 538 684) and is made up as follows:

Inventories	Note 2	369 260
Receivables from Exchange Transactions	Note 4	4 269 773
Receivables from Non-exchange Transactions	Note 5	11 895 683
VAT Receivable	Note 6	6 834 918
Cash and Cash Equivalents	Note 7	43 049 921
Operating Lease Assets	Note 8	121 263
		<u>66 540 818</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

16. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 16 and 26, and Appendix "F" for more detail.

17. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 60.

18. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

		Actual	
	Note	2014 R	2013 Restated R
ASSETS			
Current Assets		66 540 818	54 538 684
Inventories	2	369 260	482 117
Receivables from Exchange Transactions	4	4 269 773	74 840
Receivables from Non-exchange Transactions	5	11 895 683	1 631 271
VAT Receivable	6	6 834 918	2 729 459
Cash and Cash Equivalents	7	43 049 921	49 511 022
Operating Lease Receivables	8	121 263	109 975
Non-Current Assets		399 018 674	292 890 077
Property, Plant and Equipment	9	377 717 954	268 159 560
Intangible Assets	10	871 425	1 032 998
Investment Property	11	20 411 575	23 679 800
Heritage Assets	12	17 719	17 719
Total Assets		465 559 492	347 428 762
LIABILITIES			
Current Liabilities		35 914 933	37 095 816
Provisions	13	134 814	72 985
Payables from Exchange Transactions	14	12 592 061	12 378 412
Payables from Non-exchange Transactions	15	2 445 081	728 738
Unspent Conditional Grants and Receipts	16	3 150 060	23 567 031
Current Portion of Long-term Liabilities	18	17 592 917	348 650
Non-Current Liabilities		43 357 687	10 577 572
Long-term Liabilities	18	32 995 163	588 079
Employee Benefit Liabilities	19	842 751	868 290
Non-current Provisions	20	9 519 774	9 121 203
Total Liabilities		79 272 620	47 673 388
Total Assets and Liabilities		386 286 872	299 755 373
NET ASSETS		386 286 872	299 755 373
Accumulated Surplus / (Deficit)	21	386 286 872	299 755 373
Total Net Assets		386 286 872	299 755 373

UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual	
		2014	2013
		R	Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	22	8 468 165	10 756 087
Fines	23	7 011 338	438 192
Licences and Permits	24	2 680 885	2 110 477
Income from Agency Services	25	1 392 701	1 295 379
Government Grants and Subsidies Received	26	216 453 221	163 875 404
Public Contributions and Donations	27	120 300	6 000
Revenue from Exchange Transactions			
Service Charges	28	1 325 645	2 116 831
Rental of Facilities and Equipment	29	1 804 263	1 537 225
Interest Earned - External Investments	30	3 173 126	2 250 781
Interest Earned - Outstanding Debtors	30	1 139 373	1 138 910
Other Revenue	31	1 946 952	1 764 770
Gains on Disposal of Property, Plant and Equipment		397 250	-
Total Revenue		245 913 218	187 290 055
EXPENDITURE			
Employee Related Costs	32	45 599 361	39 434 554
Remuneration of Councillors	33	13 847 864	13 219 975
Depreciation and Amortisation	34	24 454 549	21 956 400
Impairment Losses	35	2 162 452	6 473 445
Repairs and Maintenance	36	2 331 654	2 308 781
Finance Costs	37	1 776 403	972 496
Contracted Services	38	5 646 406	5 593 305
Grants and Subsidies Paid	39	3 371 167	31 075 421
General Expenses	40	46 713 991	39 847 797
Government Grants (Conditional)	41	13 085 966	8 056 859
Loss on Disposal of Property, Plant and Equipment	42	376 469	38 967
Total Expenditure		159 366 280	168 977 998
SURPLUS / (DEFICIT) FOR THE YEAR		86 546 938	18 312 056
Refer to Budget Statement for explanation of budget variances			

UMZIMVUBU LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

		Actual	
	Note	2014	2013
		R	Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		5 694 897	6 541 325
Government Grant and Subsidies		196 036 249	185 705 000
Public Contributions and Donations		120 300	6 000
Service Charges		3 119 903	809 636
Interest Received		3 876 225	2 367 222
Other Receipts		1 883 639	4 258 363
Payments			
Employee Related Costs		(45 563 071)	(38 631 188)
Remuneration of Councillors		(13 847 864)	(13 219 975)
Interest Paid		(1 776 403)	(972 496)
Suppliers Paid		(71 340 412)	(50 536 137)
Other Payments		(3 747 636)	(31 075 421)
NET CASH FLOWS FROM OPERATING ACTIVITIES	46	74 455 829	65 252 329
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(133 890 605)	(49 632 739)
Purchase of Intangible Assets		(203 305)	(384 951)
Proceeds on Disposal of Property, Plant and Equipment		683 803	36 274
Proceeds on Sale of Land		2 841 827	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(130 568 280)	(49 981 416)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		50 000 000	-
Repayment of Borrowings		(348 650)	(318 749)
NET CASH FLOWS FROM FINANCING ACTIVITIES		49 651 350	(318 749)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(6 461 101)	14 952 164
Cash and Cash Equivalents at Beginning of Period		49 511 022	34 558 858
Cash and Cash Equivalents at End of Period		43 049 921	49 511 022

UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

Description	Total
2013	R
Balance at 30 June 2012	244 952 992
Change in Accounting Policy (Note 43)	-
Correction of Error (Note 44)	41 539 488
Restated Balance 30 June 2012	286 492 480
Surplus / (Deficit) for 2012/13	5 152 144
Balance at 30 June 2013	291 644 624
Correction of Error (Note 44)	8 110 749
Restated Balance at 30 June 2013	299 739 934
2014	
Surplus / (Deficit) for the year 2013/14	86 546 938
Balance at 30 June 2014	386 286 872

Details on the movement of the Funds and Reserves are set out in Note 21.

UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2014

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	8 900 000	100 000	9 000 000	-	-	9 000 000	8 468 165	-	(531 835)	94.09	95.15
Fines	800 000	(100 000)	700 000	-	-	700 000	7 011 338	-	6 311 338	1 001.62	876.42
Licences and Permits	2 282 160	2 500	2 284 660	-	-	2 284 660	2 680 885	-	396 225	117.34	117.47
Income for Agency Services	1 110 000	-	1 110 000	-	-	1 110 000	1 392 701	-	282 701	125.47	125.47
Government Grants and Subsidies Received	94 896 000	135 843 334	230 739 334	-	(121 086 637)	109 652 697	156 080 285	-	46 427 588	142.34	164.48
Public Contributions and Donations	45 000	65 000	110 000	-	-	110 000	120 300	-	10 300	109.36	267.33
Revenue from Exchange Transactions											
Service Charges	1 500 000	-	1 500 000	-	-	1 500 000	1 325 645	-	(174 355)	88.38	88.38
Rental of Facilities and Equipment	1 264 862	69 863	1 334 725	-	(70 000)	1 264 725	1 804 263	-	539 538	142.66	142.65
Interest Earned - External Investments	230 000	570 000	800 000	-	-	800 000	3 173 126	-	2 373 126	396.64	1 379.62
Interest Earned - Outstanding Debtors	750 000	100 000	850 000	-	-	850 000	1 139 373	-	289 373	134.04	151.92
Other Income	13 802 773	3 678 964	17 481 737	-	(107 000)	17 374 737	1 946 952	-	(15 427 785)	11.21	14.11
Gains on Disposal of Property, Plant and Equipment	105 300	-	105 300	-	-	105 300	397 250	-	291 950	377.26	377.26
Profit on Sale of Land	750 000	-	750 000	-	(11 074)	738 927	0	-	(738 927)	0.00	0.00
Total Revenue	126 436 095	140 329 661	266 765 756	-	(121 274 711)	145 491 045	185 540 282	-	40 049 237	127.53	146.75
Expenditure											
Employee Related Costs	49 258 242	(2 877 551)	46 380 691	-	876 455	47 257 146	45 599 361	-	(1 657 785)	96.49	92.57
Remuneration of Councillors	13 816 931	(1)	13 816 930	-	37 153	13 854 083	13 847 864	-	(6 219)	99.96	100.22
Depreciation and Amortisation	30 000 000	-	30 000 000	-	(3 539 039)	26 460 961	24 454 549	-	(2 006 413)	92.42	81.52
Impairment Losses	11 200 000	-	11 200 000	-	3 359 999	14 559 999	2 162 452	-	(12 397 547)	14.85	19.31
Repairs and Maintenance	2 875 829	397 109	3 272 938	-	(674 729)	2 598 209	2 331 654	-	(266 556)	89.74	81.08
Finance Costs	20 000	-	20 000	-	1 815 695	1 835 695	1 776 403	-	(59 292)	96.77	8 882.01
Contracted Services	5 346 490	900 001	6 246 490	-	(422 979)	5 823 511	5 646 406	-	(177 105)	96.96	105.61
Grants and Subsidies Paid	4 628 800	78 883 000	83 511 800	-	(74 093 000)	9 418 800	3 371 167	-	(6 047 633)	35.79	72.83
General Expenses	46 829 803	6 055 937	52 885 740	-	(1 335 956)	51 549 784	46 713 991	-	(4 835 793)	90.62	99.75
Government Grants (Conditional)	3 660 000	11 971 167	15 631 167	-	(161 000)	15 470 167	13 085 966	-	(2 384 200)	84.59	357.54
Loss on Disposal of Property, Plant and Equipment	-	3 000 000	3 000 000	-	-	3 000 000	376 469	-	(2 623 531)	12.55	0.00
Total Expenditure	167 636 095	98 329 661	265 965 756	-	(74 137 400)	191 828 355	159 366 280	-	(32 462 076)	83.08	95.07
Surplus/(Deficit)	(41 200 000)	42 000 000	800 000	-	(47 137 310)	(46 337 310)	26 174 002	-	72 511 312	0.00	0.00
Transfers Recognised - Capital	141 781 000	(95 954 097)	45 826 903	-	119 166 637	164 993 540	60 372 936	-	(104 620 604)	36.59	42.58
Surplus/(Deficit for the Year)	100 581 000	(53 954 097)	46 626 903	-	72 029 327	118 656 230	86 546 938	-	(32 109 291)	72.94	86.05

30 June 2014

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	280 000	159 000	439 000	-	(124 000)	315 000	129 003	-	(185 997)	40.95	46.07
Budget and Treasury	650 000	300 000	950 000	-	8 025	958 025	917 068	-	(40 957)	95.72	141.09
Corporate Services	700 000	607 900	1 307 900	-	86 520	1 394 420	877 622	-	(516 798)	62.94	125.37
Local Economic Development	2 550 000	3 110 281	5 660 281	-	-	5 660 281	3 941 271	-	(1 719 010)	69.63	154.56
Infrastructure and Planning	132 366 000	(101 382 117)	30 983 883	-	104 627 503	135 611 386	108 937 114	-	(26 674 272)	80.33	82.30
Community and Social Services	35 000	35 000	70 000	-	14 005 000	14 075 000	14 054 779	-	(20 221)	99.86	40 156.51
Waste Management	4 250 000	365 000	4 615 000	-	563 589	5 178 589	3 907 790	-	(1 270 799)	75.46	91.95
Public Safety	950 000	850 839	1 800 839	-	-	1 800 839	1 329 262	-	(471 577)	73.81	139.92
Total Capital Expenditure	141 781 000	(95 954 097)	45 826 903	-	119 166 637	164 993 540	134 093 910	-	(30 899 630)	81.27	94.58

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	8 432 000	-	8 432 000	-	-	8 432 000	10 756 087	-	2 324 087	127.56	127.56
Fines	863 681	(463 681)	400 000	-	-	400 000	438 192	-	38 192	109.55	50.74
Licences and Permits	2 208 553	(6 660)	2 201 893	-	-	2 201 893	2 110 477	-	(91 416)	95.85	95.56
Income for Agency Services	943 200	-	943 200	-	-	943 200	1 295 379	-	352 179	137.34	137.34
Government Grants and Subsidies Received	77 196 965	42 292 770	119 489 735	-	(2 984 000)	116 505 735	144 198 827	-	27 693 092	123.77	186.79
Public Contributions and Donations	-	-	-	-	-	-	6 000	-	6 000	0.00	0.00
Revenue from Exchange Transactions											
Service Charges	1 000 000	-	1 000 000	-	-	1 000 000	2 116 831	-	1 116 831	211.68	211.68
Rental of Facilities and Equipment	1 143 656	55 460	1 199 116	-	-	1 199 116	1 537 225	-	338 109	128.20	134.41
Interest Earned - External Investments	3 729 994	(3 517 341)	212 653	-	3 689 000	3 901 653	2 250 781	-	(1 650 872)	57.69	60.34
Interest Earned - Outstanding Debtors	270 138	465 304	735 442	-	-	735 442	1 138 910	-	403 468	154.86	421.60
Other Income	13 885 100	3 479 431	17 364 531	-	-	17 364 531	1 764 770	-	(15 599 761)	10.16	12.71
Gains on Disposal of Property, Plant and Equipment	105 400	(5 400)	100 000	-	400	100 400	-	-	(100 400)	0.00	0.00
Profit on Sale of Land	295 120	-	295 120	-	-	295 120	-	-	(295 120)	0.00	0.00
Total Revenue	110 073 807	42 299 883	152 373 690	-	705 400	153 079 090	167 613 479	-	14 534 389	109.49	152.27
Expenditure											
Employee Related Costs	60 240 718	(576 005)	59 664 714	-	(16 211 092)	43 453 622	39 434 554	-	(4 019 068)	90.75	65.46
Remuneration of Councillors	-	-	-	-	14 322 872	14 322 872	13 219 975	-	(1 102 897)	92.30	0.00
Depreciation and Amortisation	23 350 000	8 650 000	32 000 000	-	-	32 000 000	21 956 400	-	(10 043 600)	68.61	94.03
Impairment Losses	7 324 000	2 676 000	10 000 000	-	7 000 000	17 000 000	6 473 445	-	(10 526 555)	38.08	88.39
Repairs and Maintenance	2 519 464	(36 502)	2 482 962	-	194 730	2 677 692	2 308 781	-	(368 911)	86.22	91.64
Finance Costs	17 918	2 922	20 840	-	(180)	20 660	972 496	-	951 836	4 707.14	5 427.48
Contracted Services	2 200 000	671 500	2 871 500	-	3 369 391	6 240 891	5 593 305	-	(647 586)	89.62	254.24
Grants and Subsidies Paid	33 600 000	1 300 000	34 900 000	-	-	34 900 000	31 075 421	-	(3 824 579)	89.04	92.49
General Expenses	39 384 994	2 846 883	42 231 877	-	(1 212 259)	41 019 618	39 847 797	-	(1 171 821)	97.14	101.18
Government Grants (Conditional)	3 717 000	6 484 797	10 201 797	-	500 000	10 701 797	8 056 859	-	(2 644 938)	75.29	216.76
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	38 967	-	38 967	0.00	0.00
Total Expenditure	172 354 095	22 019 595	194 373 690	-	7 963 462	202 337 152	168 977 998	-	(33 359 154)	83.51	98.04
Surplus/(Deficit)	(62 280 287)	20 280 288	(42 000 000)	-	(7 258 062)	(49 258 062)	(1 364 520)	-	47 893 542	0.00	0.00
Transfers Recognised - Capital	97 531 035	(22 811 926)	74 719 109	-	-	74 719 109	19 676 576	-	(55 042 533)	26.33	20.17
Surplus/(Deficit for the Year)	35 250 748	(2 531 638)	32 719 109	-	(7 258 062)	25 461 047	18 312 056	-	(7 148 991)	71.92	51.95

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	195 230	612 770	808 000	-	-	808 000	910 058	-	102 058	112.63	466.15
Budget and Treasury	2 054 079	(362 063)	1 692 016	-	-	1 692 016	788 225	-	(903 791)	46.58	38.37
Corporate Services	-	-	-	-	-	-	-	-	-	0.00	0.00
Infrastructure and Planning	92 808 486	(23 962 633)	68 845 853	-	-	68 845 853	38 546 232	-	(30 299 621)	55.99	41.53
Community and Social Services	31 620	-	31 620	-	-	31 620	4 014 470	-	3 982 850	12 695.98	12 695.98
Waste Management	1 031 620	600 000	1 631 620	-	-	1 631 620	4 027 946	-	2 396 326	246.87	390.45
Public Safety	1 410 000	300 000	1 710 000	-	-	1 710 000	1 924 548	-	214 548	112.55	136.49
Total Capital Expenditure	97 531 035	(22 811 926)	74 719 109	-	-	74 719 109	50 211 478	-	(24 507 631)	67.20	51.48

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2013/14		2012/13
	R		R
Net surplus/(deficit) per the statement of financial performance	86 546 938		18 312 056
Revenue from Non-exchange Transactions			
Property Rates	531 835		(2 324 087)
Fines	(6 311 338)		425 490
Licences and Permits	(396 225)		98 075
Revenue for Agency Services	(282 701)		(352 179)
Government Grants and Subsidies Received	58 193 016		10 852 596
Public Contributions and Donations	(10 300)		(6 000)
Revenue from Exchange Transactions			
Service Charges	174 355		(1 116 831)
Rental of Facilities and Equipment	(539 538)		(393 568)
Interest Earned - External Investments	(2 373 126)		1 479 214
Interest Earned - Outstanding Debtors	(289 373)		(868 772)
Other Revenue	15 427 785		12 120 330
Gains on Disposal of Property, Plant and Equipment	(291 950)		105 400
Profit on Sale of Land	738 927		295 120
Expenditure			
Employee Related Costs	(1 657 785)		(20 806 165)
Remuneration of Councillors	(6 219)		13 219 975
Depreciation and Amortisation	(2 006 413)		(1 393 600)
Impairment Losses	(12 397 547)		(850 555)
Repairs and Maintenance	(266 556)		(210 684)
Finance Costs	(59 292)		954 578
Contracted Services	(177 105)		3 393 305
Grants and Subsidies Paid	(6 047 633)		(2 524 579)
General Expenses	(4 835 793)		462 803
Government Grants (Conditional)	(2 384 200)		4 339 859
Loss on Disposal of Property, Plant and Equipment	(2 623 531)		38 967
Net surplus/deficit per approved budget	118 656 230		35 250 748

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 *Changes in Accounting Policy and Comparability*

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2013 and 30 June 2014 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 *Critical Judgements, Estimations and Assumptions*

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 *Revenue Recognition*

Accounting Policy 11.2 on Revenue from Exchange Transactions and Accounting Policy 11.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 *Financial Assets and Liabilities*

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on Financial Assets Classification and Accounting Policy 8.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.2.3 Impairment of Financial Assets

Accounting Policy 8.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- Impairment of Trade Receivables:

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions and that of Receivables from Non-exchange Transactions are disclosed in Notes 4 and 5 to the Annual Financial Statements.

1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2 the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 9.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

1.2.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.2.7 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.6 *Standards, Amendments to Standards and Interpretations issued but not yet Effective*

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor - issued December 2009
- GRAP 105 Transfers between Entities under common control - issued November 2010
- GRAP 106 Transfers between Entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010
- GRAP 108 Statutory Receivables - issued December 2009

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. NET ASSETS

2.1 *Accumulated Surplus*

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.

2.1.2 Capital Contributions from Government

When items of Property, Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from government grants.

3. PROPERTY, PLANT AND EQUIPMENT

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Buildings	25 - 100		Other	
	Mobile Offices	5 - 10		Specialist Vehicles	5 - 20
				Other Vehicles	5 - 10
	Infrastructure			Office Equipment	3 - 7
	Roads and Paving	45 - 50		Furniture and Fittings	5 - 10
	Gravel Roads	3 - 10		Watercraft	15
	Landfill Sites	10 - 65		Bins and Containers	5
				Specialised Plant and Equipment	10 - 15
	Community			Other items of Plant and Equipment	2 - 5
	Security	5 - 10			
	Recreational Facilities	15 - 60		Library Books	5 - 20

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

3.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.7 Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.8 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

4. INTANGIBLE ASSETS

The municipality changed its Accounting Policy from GRAP 102 to GRAP 31 with no effect on the financial information previously disclosed.

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- (a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
- (b) Management intends to complete the Intangible Asset and use or sell it;
- (c) There is an ability to use or sell the Intangible Asset;
- (d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- (f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software	3		Website	5

Intangible Assets are annually tested for impairment as described in Accounting Policy 7 on Impairment of Assets, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- (c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- (d) A property owned by the municipality and leased out at a below market rental; and
- (e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

5.2 Subsequent Measurement

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-line Method over the useful life of the property, which is estimated at 25 - 100 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. HERITAGE ASSETS

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

6.1 Initial Recognition

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

6.2 Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

6.3 Derecognition

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

6.4 Transitional Provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of Heritage Assets.

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

8.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
 - (i) Derivatives;
 - (ii) Combined instruments that are designated at fair value;
 - (iii) Instruments held for trading;
 - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Fair Value.

8.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

8.3 Initial and Subsequent Measurement

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

8.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

8.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

8.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

8.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value plus transaction costs, and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

8.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

8.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

8.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

9. INVENTORIES

9.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9.2 Subsequent Measurement

9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the **weighted average** cost of commodities.

9.2.2 Other Arrangements

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

10. NON-CURRENT ASSETS HELD-FOR-SALE

10.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

10.2 Subsequent Measurement

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held-for-sale, or while it is part of a disposal group classified as held-for-sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale are recognised in the Statement of Financial Performance.

The gain or loss on the eventual sale of non-current assets held-for-sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held-for-sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

11. REVENUE RECOGNITION

11.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from Non-exchange Transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

11.2 Revenue from Exchange Transactions

11.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

11.2.2 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

11.2.3 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

11.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11.2.5 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

11.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

11.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

11.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

11.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

12.1 Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

13. EMPLOYEE BENEFIT LIABILITIES

The municipality changed its Accounting Policy from IAS 19 to GRAP 25 with no effect on the financial information previously disclosed.

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13.2 *Post-employment Benefits*

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

13.2.1 **Defined Contribution Plans**

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.2.2 **Defined Benefit Plans**

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

14. **LEASES**

14.1 *Classification*

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

14.2 *The Municipality as Lessee*

14.2.1 **Finance Leases**

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

14.2.2 **Operating Leases**

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

14.3 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

14.4 Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

15. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

16. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

17. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

21. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

23. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

24. RELATED PARTIES

The municipality changed its Accounting Policy from IPSAS 20 to GRAP 20 with no effect on the financial information previously disclosed.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

25. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

26. COMPARATIVE INFORMATION

26.1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

26.2 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

26.3 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2013 to 30 June 2014.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

1. GENERAL INFORMATION

Umzimvubu Local Municipality (the municipality) is a local government institution in Mount Frere, Eastern Cape Province, and is one of the local municipalities under the jurisdiction of the Alfred Nzo District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumable Stores - Stationery	345 465	482 117
Property Stock	23 796	-
Total Inventories	369 260	482 117

Stationery is held for own use and measured at the lower of Cost and Current Replacement Cost.

The cost of Inventories recognised as an expense during the period was R 1 656 292 (30 June 2014: R 989 820).

Inventories are expected to be utilised within 12 months after the reporting date

The municipality developed two subdivided portions of land into residential and commercial properties of which some were sold during the year. It is the intention to sell the remaining properties during the next twelve months.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. NON-CURRENT ASSETS HELD-FOR-SALE

Property Held-for-Sale - at cost	-	-
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Non-current Assets Held-for-Sale have been restated to adhere to the disclosure provisions of IAS 2. Refer to Note 44 on "Correction of Error" for details of the restatement.

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Service Debtors:	5 238 445	4 102 210	1 136 235
Refuse	5 238 445	4 102 210	1 136 235
Other Receivables	4 668 734	1 535 196	3 133 538
Value Added Tax (VAT)	1 461 767	1 302 599	159 167
Land sales	2 575 870	232 596	2 343 274
Other Debtors	631 097		631 097
Total Receivables from Exchange Transactions	9 907 179	5 637 406	4 269 773
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Service Debtors:	9 217 673	9 166 715	50 958
Refuse	9 217 673	9 166 715	50 958
Other Receivables	1 532 037	1 508 155	23 882
Value Added Tax (VAT)	1 299 441	1 275 559	23 882
Land sales	232 596	232 596	-
Total Receivables from Exchange Transactions	10 749 710	10 674 870	74 840

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

4.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2014

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Refuse:					
Gross Balances	90 768	86 269	83 260	4 978 149	5 238 445
Less: Provision for Impairment	58 885	58 936	58 636	3 925 754	4 102 210
Net Balances	31 883	27 333	24 624	1 052 395	1 136 235
Other Receivables:					
Gross Balances	133 750	23 705	23 227	4 488 051	4 668 734
Less: Provision for Impairment	104 758	17 374	17 276	1 395 789	1 535 196
Net Balances	28 992	6 332	5 952	3 092 262	3 133 538

As at 30 June Receivables of R4 208 897 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	109 974	106 487	9 466 200	9 682 661
Less: Provision for Impairment	76 309	75 912	5 321 543	5 473 764
Net Balances	33 665	30 576	4 144 657	4 208 897

As at 30 June 2013

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Refuse:					
Gross Balances	166 693	161 697	157 286	8 731 996	9 217 673
Less: Provision for Impairment	164 343	159 390	155 429	8 687 553	9 166 715
Net Balances	2 350	2 308	1 857	44 443	50 958
Other Receivables:					
Gross Balances	23 441	22 685	22 067	1 463 845	1 532 037
Less: Provision for Impairment	23 253	22 510	21 901	1 440 490	1 508 155
Net Balances	188	175	166	23 354	23 882

As at 30 June Receivables of R72 302 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	184 383	179 353	10 195 841	10 559 576
Less: Provision for Impairment	181 900	177 331	10 128 043	10 487 274
Net Balances	2 483	2 022	67 797	72 302

4.2 Reconciliation of the Provision for Impairment

Balance at beginning of year	10 674 870	9 146 588
Impairment Losses recognised	(2 852 495)	1 528 281
Amounts written off as uncollectable	(2 184 969)	-
Balance at end of year	5 637 406	10 674 870

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R **2013**
R

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

4.3 Ageing of impaired Receivables from Exchange Transactions

Current:

0 - 30 Days 163 642 187 596

Past Due:

31 - 60 Days 76 309 181 900

61 - 90 Days 75 912 177 331

+ 90 Days 5 321 543 10 128 043

Total **5 637 406** **10 674 870**
(0.01)

4.4 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Assessment Rates Debtors	23 930 577	17 627 848	6 302 728
Government Subsidy Claims	3 682 144		3 682 144
Sundry Debtors	959 221		959 221
Hall Securities	-		-
Interest/Penalty Charges	1 864 759	1 460 287	404 472
Sundry Deposits	25 473		25 473
Traffic Fines	6 605 724	6 084 079	521 645
Total Receivables from Non-exchange Transactions	37 067 898	25 172 214	11 895 683

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Assessment Rates Debtors	30 420 666	29 863 853	556 813
Sundry Debtors	1 040 356	41 158	999 198
Hall Securities	34 589	34 589	-
Interest/Penalty Charges	1 428 486	1 369 858	58 628
Sundry Deposits	16 632	-	16 632
Total Receivables from Non-exchange Transactions	32 940 729	31 309 458	1 631 271

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

5.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2014

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Assessment Rates Debtors					

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

				2014 R	2013 R
Gross Balances	(406 915)	272 970	257 592	23 806 930	23 930 577
Less: Provision for Impairment	(427 862)	185 505	185 250	17 684 956	17 627 848
Net Balances	20 947	87 465	72 341	6 121 974	6 302 728

Government Subsidy Claims

Gross Balances	3 682 144	-	-	-	3 682 144
Net Balances	3 682 144	-	-	-	3 682 144

Sundry Debtors

Gross Balances				959 221	959 221
Net Balances	-	-	-	959 221	959 221

Interest/Penalty Charges

Gross Balances	108 504	106 356	103 523	1 546 376	1 864 759
Less: Provision for Impairment	89 200	87 117	85 043	1 198 927	1 460 287
Net Balances	19 304	19 239	18 481	347 448	404 472

Sundry Deposits

Gross Balances	25 473				25 473
Net Balances	25 473	-	-	-	25 473

Traffic Fines

Gross Balances	6 605 724				6 605 724
Less: Provision for Impairment	6 084 079				6 084 079
Net Balances	521 645	-	-	-	521 645

As at 30 June Receivables of R7 626 170 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

All Receivables:

Gross Balances	379 326	361 115	26 312 527	27 052 968
Less: Provision for Impairment	272 621	270 293	18 883 883	19 426 798
Net Balances	106 704	90 822	7 428 643	7 626 170

As at 30 June 2013

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

Assessment Rates Debtors

Gross Balances	606 626	571 759	546 234	28 696 047	30 420 666
Less: Provision for Impairment	580 914	546 228	522 493	28 214 219	29 863 853
Net Balances	25 713	25 530	23 741	481 828	556 813

Sundry Debtors

Gross Balances	47 361	-	-	992 995	1 040 356
Less: Provision for Impairment	-	-	-	41 158	41 158
Net Balances	47 361	-	-	951 837	999 198

Hall Securities

Gross Balances	-	-	-	34 589	34 589
Less: Provision for Impairment	-	-	-	34 589	34 589
Net Balances	-	-	-	-	-

Interest/Penalty Charges

Gross Balances	213 334	197 644	180 449	837 060	1 428 486
Less: Provision for Impairment	207 501	191 644	175 103	795 610	1 369 858
Net Balances	5 833	6 000	5 346	41 449	58 628

Sundry Deposits

Gross Balances	-	-	-	16 632	16 632
Net Balances	-	-	-	16 632	16 632

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

As at 30 June Receivables of R1 552 364 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	769 403	726 683	30 577 323	32 073 408
Less: Provision for Impairment	737 873	697 596	29 085 576	30 521 044
Net Balances	31 530	29 087	1 491 747	1 552 364

5.2 Reconciliation of Provision for Impairment

Balance at beginning of year	31 309 458	26 173 485
Impairment Losses recognised	3 201 860	5 174 136
Impairment Losses reversed	(75 747)	(38 163)
Amounts written off as uncollectable	(9 263 357)	-
Balance at end of year	25 172 214	31 309 458

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

6. VAT RECEIVABLE

Vat Receivable	6 834 918	2 729 459
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

7. CASH AND CASH EQUIVALENTS

Current Investments	20 388 680	49 511 022
Bank Accounts	22 661 241	-
Total Bank, Cash and Cash Equivalents	43 049 921	49 511 022

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7.1 Current Investment Deposits

Call Deposits	20 387 680	49 511 022
Notice Deposits	1 000	-
Total Current Investment Deposits	20 388 680	49 511 022

The following call deposit accounts for ring fenced purposes as indicated	20 387 680	49 511 022
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Planning and Survey	First National	6216 487 6842	-109	183
Service Delivery Reserve	First National	6203 325 4723	4 528 540	464 594
Operational Investment	First National	6202 945 0715	4 071 922	31 770 979

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

			2014 R	2013 R
Municipal Support Program (MSP)	First National	6203 189 8903	75 934	81 722
Drought Relief	First National	6208 603 6160	0	417 513
Municipal Infrastructure Grant (MIG)	First National	6208 603 6714	10 396 608	9 432 615
Guarantee Investment	First National	6206 874 2157	246 993	242 123
Capital Replacement Reserve	First National	6206 799 8040	-	14 076
Testing Centre	First National	6209 341 1339	(0)	3 457 305
Dedea Projects	First National	6224 528 8411	476 867	894 980
Financial Management Grant (FMG)	First National	6227 618 7294	263 719	1 579 898
Munisipal System Improvement Grant	First National	6227 618 9018	40 488	878 418
Electrification Program	First National	6228 856 0925	286 717	276 617

7.2 Bank Accounts

Cash in Bank	22 661 241	-
Total Bank Accounts	22 661 241	-

The Municipality has the following bank accounts:

Primary Bank Account

First National Bank - Account Number 620 2218 3727:

Cash book balance at beginning of year	-	5 193 844
Cash book balance at end of year	22 661 241	-
Bank statement balance at beginning of year	5 065 440	23 381 740
Bank statement balance at end of year	24 969 362	5 065 440

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

8. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	109 975	83 610
Operating Lease Revenue recorded	13 309	58 820
Operating Lease Revenue effected	(2 021)	(32 455)
Total Operating Lease Receivables	121 263	109 975

8.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 2 to 10 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

8.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	920 058	897 735
2 to 5 years	301 958	1 174 322

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
More than 5 years	-	11 998
Total Operating Lease Arrangements	1 222 016	2 084 056

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R11 288 (2013: an increase of R26 365) in current year income.

Rental Income recognised in the Statement of Financial Performance	1 513 088	1 243 728
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The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9 PROPERTY, PLANT AND EQUIPMENT

30 June 2014

Reconciliation of Carrying Value

Description	Land	Buildings	Infra- structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2013	7 682 715	31 446 236	156 678 877	63 761 188	7 755 087	835 456	268 159 560
Cost	7 682 715	36 046 650	267 490 925	90 686 506	17 448 813	1 681 279	421 036 888
Accumulated Depreciation:	-	(4 600 414)	(110 812 048)	(26 925 318)	(9 693 726)	(845 822)	(152 877 328)
Acquisitions	-	-	21 778 196	9 454 298	7 624 348	-	38 856 842
Capital under Construction - Additions:	-	832 239	77 787 559	16 413 965	0	-	95 033 763
Depreciation:	-	(1 193 512)	(15 424 216)	(3 439 774)	(3 696 098)	(336 072)	(24 089 671)
Carrying value of Disposals:	(59 274)	-	-	-	(227 280)	-	(286 553)
Carrying value of Transfers to Inventory	(23 796)	-	-	-	-	-	(23 796)
Impairment Losses	-	-	-	-	(5 916)	-	(5 916)
Capital under Construction - Completed	-	-	(7 586 483)	(8 091 052)	-	-	(15 677 534)
Other Movements	73 725	-	7 586 483	8 091 052	-	-	15 751 259
Carrying values at 30 June 2014	7 673 371	31 084 964	240 820 416	86 189 677	11 450 141	499 385	377 717 954
Cost	7 673 371	36 878 889	367 056 680	116 554 768	23 248 428	1 681 279	553 093 416
Accumulated Impairment Losses	-	-	-	-	(5 916)	-	(5 916)
Accumulated Depreciation:	-	(5 793 925)	(126 236 264)	(30 365 091)	(11 792 371)	(1 181 894)	(175 369 546)

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2013

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2012	7 682 715	28 995 854	182 927 977	52 202 315	9 688 550	1 171 528	282 668 939
Cost	7 682 715	32 442 329	238 488 202	76 298 999	14 841 610	1 681 279	371 435 134
Correction of error (Note 44)		(3 899)	41 221 507	(201 771)	1 426 257	-	42 442 094
Accumulated Depreciation:	-	(3 442 576)	(96 781 732)	(23 894 913)	(6 579 317)	(509 751)	(131 208 289)
Acquisitions	-	297 737	12 113 517	3 255 007	2 702 688	-	18 368 949
Capital under Construction - Additions:	-	3 306 584	16 824 706	11 132 500	-	-	31 263 790
Depreciation:	-	(1 157 838)	(14 493 240)	(3 030 405)	(3 115 768)	(336 072)	(24 679 223)
Carrying value of Disposals:	(2 545 900)	-	-	-	-	-	(2 545 900)
Carrying value of Transfers to Held-for-Sale:	(152 500)	-	-	-	-	-	(152 500)
Capital under Construction - Completed	-	(681 619)	(42 617 994)	(1 392 754)	-	-	(44 692 367)
Other Movements	2 698 400	681 619	43 145 418	1 392 754	(94 125)	-	47 359 782
- Accumulated Depreciation	-	-	462 924	-	1 360	-	464 284
Carrying values at 30 June 2013	7 682 715	31 446 236	156 678 877	63 761 188	7 755 087	835 456	268 159 560
Cost	7 682 715	36 046 650	267 490 925	90 686 506	17 448 813	1 681 279	421 036 888
Accumulated Depreciation:	-	(4 600 414)	(110 812 048)	(26 925 318)	(9 693 726)	(845 822)	(152 877 328)

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, Plant and Equipment have been restated, with specific reference to Land which was previously included in Investment Property, or sold. Infrastructure which was previously depreciated while still work in progress and Roads which falls under the jurisdiction of neighbour municipalities. The changing of the Economic Useful Life of Gravel Roads from 3 years to 10 years and Mobile Buildings from 5 years to 10 years. Refer to Note 44 on "Correction of Error" for details of the restatement.

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
9 PROPERTY, PLANT AND EQUIPMENT (Continued)		
9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
At Original Cost:		
Infrastructure	67 929 310	60 359 071
Community	49 285	49 285
Other	5 778 492	1 690 456
Gross Carrying Amount of PPE fully depreciated and still in use	73 757 087	62 098 811

9.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal at the end of the financial year.

9.3 Assets pledged as security

The municipality did not pledge any of its assets as security.

10 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	871 425	1 032 998
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The movement in Intangible Assets is reconciled as follows:

	Website Development	Computer Software	Total
Carrying values at 01 July 2013	86 400	946 598	1 032 998
Cost	-	1 807 914	1 807 914
Work-in-Progress	86 400	-	86 400
Accumulated Amortisation	-	(861 316)	(861 316)
Acquisitions:	36 000	167 305	203 305
Work-in-Progress	36 000	-	36 000
Amortisation:	-	(364 877)	(364 877)
Purchased	-	(364 877)	(364 877)
Carrying values at 30 June 2014	122 400	749 025	871 425
Cost	-	1 975 219	1 975 219
Work-in-Progress	122 400	-	122 400
Accumulated Amortisation	-	(1 226 193)	(1 226 193)
	Website Development	Computer Software	Total
Carrying values at 01 July 2012	86 400	818 023	904 423
Cost	-	1 391 978	1 391 978
Work-in-Progress	86 400	-	86 400
Accumulated Amortisation	-	(573 955)	(573 955)
Acquisitions:	-	384 951	384 951
Purchased	-	384 951	384 951
Amortisation:	-	(286 920)	(286 920)
Purchased	-	(286 920)	(286 920)
Carrying values at 30 June 2013	86 400	946 598	1 032 998
Cost	-	1 807 914	1 807 914
Work-in-Progress	86 400	-	86 400
Accumulated Amortisation	-	(861 316)	(861 316)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 34).

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

Computer Software are issued under license and are restricted to the conditions under which each license are issued.

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

10.2 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

11 INVESTMENT PROPERTY

At Cost less Accumulated Depreciation

20 411 575

23 679 800

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

23 679 800

23 679 800

Cost

23 679 800

23 679 800

Disposals during the Year:

(3 194 500)

-

At Cost

(3 194 500)

-

Transfers during the Year:

(73 725)

-

At Cost

(73 725)

-

Carrying values at 30 June

20 411 575

23 679 800

Cost

20 411 575

23 679 800

Estimated Fair Value of Investment Property at 30 June

21 532 780

29 922 300

Investment Property has been restated to correctly disclose the properties held as Investment Property in terms of GRAP 16. Refer to Note 44 on "Correction of Error" for details of the restatement.

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

11.1 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

11.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

12 HERITAGE ASSETS

At Cost less Accumulated Impairment Losses

17 719

17 719

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

The movement in Heritage Assets is reconciled as follows:

	Municipal Jewelry	Total
Carrying values at 01 July 2013	17 719	17 719
Cost	17 719	17 719
Carrying values at 30 June 2014	17 719	17 719
Cost	17 719	17 719
	Municipal Jewelry	Total
Carrying values at 01 July 2012	17 719	17 719
Cost	17 719	17 719
Carrying values at 30 June 2013	17 719	17 719
Cost	17 719	17 719

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

12.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting

12.2 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

13 PROVISIONS

Current Portion of Long-term Service Liability (See Note 19)	134 814	72 985
Total Provisions	134 814	72 985

Current Portion of Non-Current Provisions:

	Long-term Service R
30 June 2014	
Balance at beginning of year	72 985
Transfer from non-current	281 283
Expenditure incurred	(219 454)
Balance at end of year	134 814
	Long-term Service R
30 June 2013	
Balance at beginning of year	134 107
Transfer from non-current	20 177
Expenditure incurred	(81 299)
Balance at end of year	72 985

Refer to Note 19 on "Employee Benefits" for details on actuarial valuations. The short term portion is based on the actuarial estimate of the cost for the next financial period.

14 PAYABLES FROM EXCHANGE TRANSACTIONS

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Trade Creditors	7 064 578	9 154 928
Retentions	1 014 080	540 121
Staff Leave	3 966 993	2 635 598
Other Creditors	863	757
Third Parties (Salaries)	87 877	47 008
Value Added Tax - Output	457 670	(0)
Total Payables	12 592 061	12 378 412

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

15 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Interest on External Loan	1 250 137	-
Payments Received In Advance	1 146 512	665 500
Sundry Deposits	41 873	40 535
Rental Deposits	6 558	22 703
Total Payables	2 445 081	728 738

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government	3 150 060	23 567 031
National Government Grants	4 723	18 194 865
Provincial Government Grants	3 145 337	5 372 167
Total Conditional Grants and Receipts	3 150 060	23 567 031

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

17 OPERATING LEASE LIABILITIES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at 30 June as none of the contracts has any escalation clauses.

17.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

17.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had no outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment. Agreements on the rental of Photocopy Machines have expired and the municipality will be going out on tender in the new financial year to obtain new equipment.

The following payments have been recognised as an expense in the Statement of Financial Performance:

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Minimum lease payments	87 866	501 031
Total Operating Lease Expenses	87 866	501 031

18 LONG-TERM LIABILITIES

Annuity Loans	50 000 000	-
Finance Lease Liabilities	588 079	936 730
Sub-total	50 588 079	936 730
Less: Current Portion transferred to Current Liabilities:-	17 592 917	348 650
Annuity Loans	17 211 561	-
Finance Lease Liabilities	381 356	348 650
Total Long-term Liabilities (Neither past due, nor impaired)	32 995 163	588 079

The Annuity Loan was taken up during the year from the Development Bank of Southern Africa and is repayable in 3 instalments over the next three financial years at an interest rate of 9,00% per annum. The Annuity Loan is secured by Electrification Grants to be received from National Government in accordance with the Division of Revenue Act for the next three years.

Finance Lease Liabilities relates to Vehicles with lease terms of 5 (2013: 3) years. The effective interest rate on Finance Leases is the prime rate set by the South African Reserve Bank which was 9% at the inception date of the leases. Capitalised Lease Liabilities are secured over the items of vehicles leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

18.1 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2013: 3 years). The effective interest rate on Finance Leases was set at the bank prime rate which was 9% at the inception date of the leases.

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2014 R	2013 R	2014 R	2013 R
Amounts payable under finance leases:				
Within one year	418 807	418 807	381 356	348 650
In the second to fifth years, inclusive	212 257	631 064	206 723	588 080
Over five years	-	-	-	-
	631 064	1 049 871	588 079	936 730
Less: Future Finance Obligations	65 256	113 142		
Present Value of Minimum Lease Obligations	565 808	936 730	588 079	936 730
Less: Amounts due for settlement within 12 months (Current Portion)			(381 356)	(348 650)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			206 723	588 079

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Vehicles

Included in these classes are the following significant leases:

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
(i) Vehicles	R 110 285	R 110 285
- Instalments are payable monthly in arrears		
- Average period outstanding	22 months	34 months
- Average effective interest rate, based on prime at the inception of the leases	9.00%	9.00%
- Average monthly instalment	R 34 900.58	R 34 900.58

19 EMPLOYEE BENEFIT LIABILITIES

Long Service Awards Liability	842 751	868 290
Total Employee Benefit Liabilities	842 751	868 290

19.1 Long Service Awards Liability

Balance at beginning of year	868 290	584 098
Increase in provision due to change in estimate	255 744	304 369
Balance at end of Year	1 124 034	888 467
Transfer to Current Provisions	(281 283)	(20 177)
Total Long Service Awards Liability	842 751	868 290

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years of continuous service, and every 5 years of continuous service thereafter to 45 years of service inclusive, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 142 (2013: 130) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2014 is estimated to be R234 901, whereas the cost for the ensuing year is estimated to be R838 325 (30 June 2013: R171 866 and R234 901 respectively).

	2014 R	2013 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.83%	6.90%
Cost Inflation Rate	7.07%	6.65%
Net Effective Discount Rate	0.71%	0.24%
Expected Return on Plan Assets	7.83%	6.90%
Expected Rate of Salary Increase	7.07%	6.65%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	941 275	718 205
Current service costs	234 901	171 866
Interest cost	57 538	43 540
Benefits paid	(219 454)	(81 299)
Actuarial losses / (gains)	(36 695)	88 963
Total Recognised Benefit Liability	977 565	941 275

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	234 901	171 866
Interest cost	57 538	43 540
Actuarial losses / (gains)	(36 695)	88 963
Total Post-retirement Benefit included in Employee Related Costs (Note 32)	255 744	304 369

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R	2012 R	2011 R	2010 R
The history of experienced adjustments is as follows:					
	2014 R	2013 R	2012 R	2011 R	2010 R
Present Value of Defined Benefit Obligation	977 565	941 275	718 205	557 676	506 297
Deficit	977 565	941 275	718 205	557 676	506 297

20 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Land-fill Sites	9 519 774	9 121 203
Total Non-current Provisions	9 519 774	9 121 203

The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:

Balance at beginning of year	9 121 203	5 542 501
Increase in provision due to discounting of interest	398 571	795 466
Increase in provision due to change in estimate	-	2 783 236
Balance at end of year	9 519 774	9 121 203

20.1 Rehabilitation of Land-fill Sites

21 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	5 014 475	5 014 475
Capital Contributions from Government	364 892 879	246 902 219
Accumulated Surplus / (Deficit) due to the results of Operations	16 379 518	47 838 679
Total Accumulated Surplus	386 286 872	299 755 373

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 44 on "Correction of Error" for details of the restatements.

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capital Contributions from Government** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

22 PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2014 R000's	July 2013 R000's		
Residential	341 917 485	295 813 000	5 178 840	6 578 054
Commercial	157 423 647	291 468 000	2 280 674	2 896 865
State	285 497 806	295 907 508	1 008 652	1 281 168
Total Property Rates	784 838 938	883 188 508	8 468 165	10 756 087

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2009.

Interim valuations are processed on an quarterly basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 1,2 c/R (2012/13: 0,8427 c/R)

Business Properties: 1,4 c/R (2012/13: 1,6854 c/R)

Agricultural & Government Properties: 1,3 c/R (2012/13: 1,6854 c/R)

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

In accordance with Section 17(h) of the Municipal Properties Rates Act the first R15 000 of the market value of residential properties are exempted from assessment rates.

23 FINES

Traffic Fines	7 011 338	438 192
Total Fines	7 011 338	438 192

24 LICENCES AND PERMITS

Drivers & Learners Licenses	2 540 989	2 032 523
Hawker Stalls	26 763	7 711
Street Trading	56 133	51 928
Trading Licenses	57 000	18 316
Total Licences and Permits	2 680 885	2 110 477

25 INCOME FROM AGENCY SERVICES

Vehicle Registration	1 302 912	1 200 659
Vehicle Testing Station	89 789	94 720
Total Income from Agency Services	1 392 701	1 295 379

26 GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	115 568 000	106 043 000
Other Subsidies	7 129 508	150 000
Operational Grants	122 697 508	106 193 000

Conditional Grants

National: EPWP	2 785 247	2 435 072
National: FMG	1 550 000	1 500 000
National: MIG	60 372 936	19 676 576
National: MSIG	890 102	922 193
National: Energy	20 000 000	30 000 000
Provincial: Dept Cooperative Government & Traditional Affairs (COGTA)	6 642 949	2 857 905
Department Economic Affairs and Trade (DEAT)	1 479 281	290 657
Provincial: Dept Cooperative Government & Traditional Affairs (COGTA) LED	35 197	-

Total Government Grants and Subsidies	216 453 221	163 875 404
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Government Grants and Subsidies:

Conditional Grants	93 604 278	57 682 404
Unconditional Grants	122 848 943	106 193 000

Total Government Grants and Subsidies	216 453 221	163 875 404
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Summary of Transfers:

Conditions met - transferred to Revenue: Operating Expenses	33 382 776	38 005 827
Conditions met - transferred to Revenue: Capital Expenses	60 372 936	19 676 576

Total Transfers	93 755 712	57 682 404
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Operational Grants:

26.1 National: Equitable Share	115 568 000	106 043 000
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In terms of the Constitution, part of this grant is used to subsidise the provision of basic services to indigent community members on application. Households where the total gross monthly income of all occupants over 18 years of age does not exceed the earning of a combined gross income equivalent to or less than two times the Government pension grant as prescribed by the National Department of Social Development, qualify for a subsidy of the essential services package.

26.2 Community Based Planning

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Current year receipts - included in Revenue	150 000	150 000

The Municipality received an amount of R150 000 from Alfred Nzo District Municipality for assistance in the data collection of community needs to be used as basis for future planning.

Conditional Grants:

26.3 National: EPWP Grant

Balance unspent at beginning of year	64 662	1 082 734
Current year receipts	2 720 585	1 417 000
Conditions met - transferred to Revenue: Operating Expenses	(2 785 247)	(2 435 072)
Conditions still to be met - transferred to Liabilities (see Note 16)	0	64 662

The grant is utilised for creating of job opportunities in environmental and cultural, infrastructure and the social eradication of poverty and capacity building and skills programmes

26.4 National: FMG Grant

Balance unspent at beginning of year	0	0
Current year receipts	1 550 000	1 500 000
Conditions met - transferred to Revenue: Operating Expenses	(1 550 000)	(1 500 000)
Conditions still to be met - transferred to Liabilities (see Note 16)	0	0

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

26.5 National: MIG Funds

Balance unspent at beginning of year	18 125 378	6 954
Current year receipts	42 247 558	37 795 000
Conditions met - transferred to Revenue: Capital Expenses	(60 372 936)	(19 676 576)
Conditions still to be met - transferred to Liabilities (see Note 16)	0	18 125 378

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

26.6 National: MSIG Funds

Balance unspent at beginning of year	4 825	127 018
Current year receipts	890 000	800 000
Conditions met - transferred to Revenue: Operating Expenses	(890 102)	(922 193)
Conditions still to be met - transferred to Liabilities (see Note 16)	4 723	4 825

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

26.7 National: Department Energy

Balance unspent at beginning of year	-	-
Current year receipts	20 000 000	30 000 000
Conditions met - transferred to Revenue: Operating Expenses	(20 000 000)	(30 000 000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-

The grant was received from the Department of Mineral and Energy for the upgrading of substations and electrical installations within the greater municipal area.

26.8 Provincial: Dept Cooperative Government & Traditional Affairs (Cogta)

Balance unspent at beginning of year	5 142 095	-
Current year receipts	3 495 400	8 000 000
Conditions met - transferred to Revenue: Operating Expenses	(6 642 949)	(2 857 905)

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Conditions still to be met - transferred to Liabilities (see Note 16)	<u><u>1 994 546</u></u>	<u><u>5 142 095</u></u>
This grant is utilised as funding of "Operation Clean Audit" a National Government initiative.		
26.9 Provincial: Department Economic Affairs and Trade (DEAT)		
Balance unspent at beginning of year	230 072	520 729
Current year receipts	2 400 000	-
Conditions met - transferred to Revenue: Operating Expenses	(1 479 281)	(290 657)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u><u>1 150 791</u></u>	<u><u>230 072</u></u>
This grant was received to assist in local economic development and the promotion of tourism. No funds have been withheld.		
27 PUBLIC CONTRIBUTIONS AND DONATIONS		
Conditional Contributions:	-	-
Unconditional Contributions	56 100	-
Other Donations	64 200	6 000
Total Public Contributions and Donations	<u><u>120 300</u></u>	<u><u>6 000</u></u>
28 SERVICE CHARGES		
Refuse Removal	1 325 645	2 116 831
Total Service Charges	<u><u>1 325 645</u></u>	<u><u>2 116 831</u></u>
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
29 RENTAL OF FACILITIES AND EQUIPMENT		
Operating Lease Rental Revenue:		
- Other Rental Revenue	1 513 088	1 243 728
Rental Revenue from Amenities	182 154	215 932
Rental Revenue from Halls	93 374	54 307
Rental Revenue from Other Facilities	15 647	23 258
Total Rental of Facilities and Equipment	<u><u>1 804 263</u></u>	<u><u>1 537 225</u></u>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
30 INTEREST EARNED		
External Investments:		
Bank Account	884 524	194 242
Investments	2 288 602	2 056 539
	<u><u>3 173 126</u></u>	<u><u>2 250 781</u></u>
Outstanding Debtors:		
Outstanding Billing Debtors	1 139 373	1 138 910
	<u><u>1 139 373</u></u>	<u><u>1 138 910</u></u>
Total Interest Earned	<u><u>4 312 499</u></u>	<u><u>3 389 691</u></u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Financial assets at Amortised Cost	3 173 126	2 250 781
Loans and Receivables	1 139 373	1 138 910
	<u><u>4 312 499</u></u>	<u><u>3 389 691</u></u>
31 OTHER REVENUE		
Advertising	84 473	83 627
Awards	300 000	545 000

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Building Plan Fees	338 628	88 571
Clearance Certificate	-	263
Flea Market	5 553	737
Funeral Plot Fees	12 204	9 844
LG Seta	121 012	243 816
Parks	351	804
Pound Fees	349 914	378 091
Rezoning Certificate	819	899
Sales: Wood & Aloe	4 635	18
SG Diagrams	111	527
Sportsfield	-	18 277
Storage of Goods	6 087	3 596
Subdivision	8 851	1 606
Sundry Income	435 530	117 600
Tender Fees	258 642	253 067
Tourism	13 228	7 044
Towing Fees	6 913	11 381
Total Other Revenue	1 946 952	1 764 770

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 22 to 30, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

32 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	32 210 566	27 402 643
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	6 060 885	5 553 683
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	4 405 741	4 064 102
Housing Benefits and Allowances	2 077 531	1 685 947
Performance Bonuses	844 638	728 178
Total Employee Related Costs	45 599 361	39 434 554

No advances were made to employees.

Remuneration to Section 57 employees was within the upper limits set by the South African Local Government Association (SALGA).

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager : Mr. GPT Nota

Annual Remuneration	862 816	846 775
Car and Other Allowances	256 446	280 865
Company Contributions to UIF, Medical and Pension Funds	176 175	138 486
Total	1 295 437	1 266 126

Remuneration of the Chief Financial Officer : Mrs. X. Venn

Annual Remuneration	589 004	490 669
Car and Other Allowances	269 037	186 750
Company Contributions to UIF, Medical and Pension Funds	43 676	44 290
Total	901 717	721 709

Remuneration of the Manager: Community Services : Mr. M Sineke

Annual Remuneration	623 048	587 628
Car and Other Allowances	305 002	286 107
Company Contributions to UIF, Medical and Pension Funds	-	-
Total	928 051	873 735

Remuneration of the Manager: Corporate Services : Ms. N Kubone

Annual Remuneration	623 048	587 503
Car and Other Allowances	284 055	267 932
Company Contributions to UIF, Medical and Pension Funds	30 461	28 515
Total	937 565	883 950

Remuneration of the Manager: Local Economic Development : Ms. SL Batyi

Annual Remuneration	585 684	458 228
Car and Other Allowances	284 958	243 556
Company Contributions to UIF, Medical and Pension Funds	43 676	30 225
Total	914 317	732 010

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Remuneration of the Manager: Infrastructure and Planning : Mr. SP Ntonga		
Annual Remuneration	696 406	589 125
Car and Other Allowances	321 923	306 151
Company Contributions to UIF, Medical and Pension Funds	-	-
Total	1 018 329	895 276
Remuneration of the Manager: Chief Operations Officer : Mr. S Kulu		
Annual Remuneration	623 048	602 659
Car and Other Allowances	256 432	231 003
Company Contributions to UIF, Medical and Pension Funds	58 883	55 121
Total	938 363	888 783

No compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

33 REMUNERATION OF COUNCILLORS

Mayor	349 672	337 005
Speaker	279 738	285 427
Chief Whip	262 254	253 918
Executive Committee Members	1 625 975	1 569 719
Councillors	4 601 481	4 125 753
Company Contributions to UIF, Medical and Pension Funds	928 297	1 610 566
Other Allowances (Cellular Phones, Housing, Transport, etc)	5 800 447	5 037 586
Total Councillors' Remuneration	13 847 864	13 219 975

Remuneration of Councillors:

Councillors were compensated within the limits set by the Remuneration of Public Office Bearers Act No 20 of 1998.

For details per Councillor see Appendix G

In-kind Benefits

Councillors may utilise official Council transportation when engaged in official duties.

The Mayor had an official office and car.

34 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	24 089 671	21 669 480
Amortisation: Intangible Assets	364 877	286 920
Total Depreciation and Amortisation	24 454 549	21 956 400

35 IMPAIRMENT LOSSES

35.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:

Property, Plant and Equipment	5 916	-
	5 916	-

35.2 Impairment Losses on Financial Assets

Impairment Losses Recognised:

Receivables from Exchange Transactions	2 232 283	6 511 608
Receivables from Non-exchange Transactions	(2 852 495)	1 528 281
Receivables from Non-exchange Transactions	3 201 860	5 174 136
Minus impairment of VAT Debtors (Not an expense to entity)	1 882 918	(190 810)

Impairment Losses Reversed:

Receivables from Non-exchange Transactions	(75 747)	(38 163)
	(75 747)	(38 163)
Total Impairment Losses	2 162 452	6 473 445

36 REPAIRS AND MAINTENANCE

Land and Buildings	541 475	584 746
Infrastructure - Road Transport	1 073 611	726 686
Community Assets	473 086	705 323
Other Assets	243 482	292 026

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Total Repairs and Maintenance	2 331 654	2 308 781
37 FINANCE COSTS		
Creditors Overdue	0	33 432
Finance Leases	70 157	100 058
Loans and Payables at amortised cost	1 250 137	-
Provisions	456 109	839 006
Total Interest Paid on External Borrowings	1 776 403	972 496

38 CONTRACTED SERVICES

Internal Audit	819 718	737 904
Debt Collection	578 380	509 947
Security Services	3 994 851	3 454 796
Valuation Services	253 457	890 658
Total Contracted Services	5 646 406	5 593 305

Contracted Services have been restated to correctly disclose the expenditure for Contracted Services in terms of Security Services. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

39 GRANTS AND SUBSIDIES PAID

Conditional Grants Paid (Electrification)	-	26 315 789
Community & Local Economic Development Projects	1 087 505	1 935 549
Free Basic Services	2 258 321	2 824 082
Other Grants and Subsidies Paid	25 341	-
Total Grants and Subsidies	3 371 167	31 075 421

Community Projects are in respect of community cultural programs and catering & transport cost of community development workers within the municipality's area of jurisdiction.

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

40 GENERAL EXPENSES

Included in General Expenses are the following:

Advertising Fees	730 279	596 850
Agrarian Reform	1 820 302	1 150 702
Annual Report	97 700	-
Audit Fees	2 587 099	3 357 505
Bank Charges	326 600	195 172
Batho Pele Programmes	73 600	50 794
Books & Publications	38 976	30 056
Branding & Marketing	488 139	497 731
Building Control Awareness	1 400	46 462
Bursaries (Internal)	199 876	69 121
Bursaries (Scarce Skills)	428 941	240 000
Career Exhibition	407 754	318 269
Catering	525 508	504 517
Cleaning Services	350 837	704 036
Communication Strategy	182 945	172 880
Community Based Planning	146 681	150 003
Community Radio Support	187 195	232 998
Conference Fees	112 687	115 792
Consultant & Professional Fees	2 086 243	2 289 381
Consumeables & Beverages	85 124	42 310
Customer Care	232	48 520
Disaster Management Plan	79 736	94 918
Drivers Licence Cards	29 400	48 338
Electricity And Water Purchases	1 229 859	710 368

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
Employee Relations Programmes	221 124	322 880
Entertainment	119 748	132 394
Environmental Management	225 144	177 555
Equipment Rental	87 866	501 031
Events & Programs	796 863	806 279
Financial Systems	-	830 605
Fleet Rental Services	518 848	981 718
Food For Waste	1 025 150	1 164 087
Forestry Development	91 890	36 955
Fuel & Oil	1 962 735	1 403 423
Health & Safety	211 596	83 540
Hiv/Aids	38 600	44 934
ICT Expenses	382 700	243 633
IDP Out Reach	99 653	103 419
Induction Program	-	6 780
Insurance: External	832 885	676 247
Intergovernmental Relations (Igr)	20 800	93 980
Internal Audit Committee	815 678	1 237 442
Investment Promotion	536 336	75 514
Job Evaluation	-	145 598
Legal Fees	782 741	1 353 902
Material & Stores	54 719	72 931
Membership Fees	10 502	13 137
Outreach Program	329 710	150 436
Performance Management System	-	144 816
Policy Formulation & Review	-	3 640
Policy Roll Out Program	179 079	3 500
Post Boxes	65 238	1 266 510
Postage	3 481	4 652
Pound Fees	43 442	61 339
Printing & Stationery	1 656 292	989 820
Promotional Material	314 162	343 218
Public Safety	736 220	227 288
Ratepayers Incentive	290 600	118 158
Recruitment Activities	55 652	105 425
Refuse Bags & Bins	631 969	385 516
SMME Development	1 112 094	303 379
Sports, Arts And Culture	474 558	283 415
Spu Programs	536 875	392 111
Strategic Planning	960 792	696 926
Strategic Support And Ind	180 150	80 355
Subscriptions	-	390
Subsistance And Travelling	4 294 757	2 949 620
Sundry Expenses	1 896 694	-
Survey And Planning	1 879 040	742 094
Telephone	3 371 001	2 612 009
Tourism	748 969	241 920
Training	1 410 204	811 263
Uniforms & Protective Clothing	493 919	265 285
Vehicle Licensing	63 626	7 508
Ward Committees	3 275 135	2 295 500
Workman'S Compensation Assura	448 049	2 055 485
Year End Function	209 591	131 512
Total General Expenses	46 713 991	39 847 797

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

No other extra-ordinary expenses were incurred.

41 GOVERNMENT GRANTS (CONDITIONAL)

The following operating expenditure were financed by the grants as indicated:

Municipal Systems Improvement Grant (MSIG)	851 876	864 659
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UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
Financial Management Grant (FMG)	1 472 790	1 510 448
Department of Cooperative Government and Traditional Affairs (COGTA)	6 574 247	2 667 196
Department Education and Training (DEAT)	1 401 806	274 702
Extended Public Works Program (EPWP)	2 785 247	2 739 855
	13 085 966	8 056 859

The MSIG is used for capacity building of Councillors, Ward Committee seating allowance and Implimentation of the MPRA.
The FMG is used for salaries of the financial interns, staff capasitation and the improvement of systems.
The COGTA grant is utilised on "Operation Clean Audit" a National Government initiative to improve operations of Local Government.
The DEAT grant is used for environmental impact assessments and project management.
The EPWP grant is utilised for cleaning up operations in the municipal area.

42 GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Proceeds on Sale of Assets	2 877 305	-
Assets Disposed at Carrying Value	(3 253 774)	-
Total Gains / Losses on Disposal of Capital Assets	(376 469)	-

The loss on the sale of land was caused by properties sold below it's market value to a developer for the construction of low cost housing.

43 CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 2013/14 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

- GRAP 20 Related Parties
- GRAP 25 Employee Benefits
- GRAP 31 Intangible Assets

43.1 GRAP 20 - Related Parties

The municipality changed its Accounting Policy from IPSAS 20 to GRAP 20 with no effect on the financial information previously disclosed.

43.2 GRAP 25 - Employee Benefits

The municipality changed its Accounting Policy from IAS 19 to GRAP 25 with no effect on the financial information previously disclosed other than the liability in respect of Long Services Awards being reclassified from "Non-Current Liabilities" to "Employee Benefit Liabilities" on the face of the Statement of Financial Position.

The amount of R9 989 493 previously disclosed as Non-Current Liabilities was restated to exclude the amount of R868 290 in respect of Long Services Awards which is now restated under Employee Benefit Liabilities.

43.3 GRAP 31 - Intangible Assets

The municipality changed its Accounting Policy from GRAP 102 to GRAP 31 with no effect on the financial information previously disclosed.

44 CORRECTION OF ERROR

44.1 Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June 2013 and 30 June 2012

Appropriations are summarised as follows:

	2013	2012
Non-current Assets Held-for-Sale	-152 500	-
Operating Lease Receivables	3 461	-
Property, Plant and Equipment	9 841 468	45 404 209
Investment Property	-2 368 500	-3 874 000
Payables from Exchange Transactions	768 385	-
	8 110 749	41 539 488

Increase / (Decrease) in Accumulated Surplus Account

44.2 Reclassification of Revenue - 2012/13

	AFS	RESTATED	ADJUSTMENT
Rental of Facilities and Equipment	1 533 764	1 537 225	-3 461

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Detail :		ADJUSTMENT
<u>Rental of Facilities and Equipment</u>		-
<i>Hawkers (42) agreements started 17 July 2012. Increase Operating Lease Asset with straight lined portion of revenue and account for straight-lined portion of revenue.</i>		3 461
		3 461
		-
44.3 Reclassification of Expenditure - 2011/12	AFS	RESTATED
		ADJUSTMENT
Depreciation and Amortisation	29 180 816	28 510 089
Impairment Losses	7 732 054	8 223 495
		-670 728
		491 440
Detail :		ADJUSTMENT
<u>Depreciation and Amortisation</u>		-
<i>Assets which was still Work In Progress was incorrectly depreciated (2011/12 and 2012/13). Refer to Assets Register 30 June 2013. Asset ID 3588, 3600, 3619, 3625 and 3853.</i>		-65 419
<i>During the physical stock take of moveable assets items were found which was not recorded in the Assets Register. The age of said assets were determined based on the Remaining Useful Life and the Economic Useful life of each asset item. The assets were all older than two years at 30 June 2014. The items were thus capitalised and depreciated from the estimated aquisition date to 30 June 2012</i>		-447 039
<i>During the physical stock take of moveable assets items were found which were fully depreciated but still in use. A condition assesement was done on these items and a new Remaining Useful Life was determined. Accordingly the depreciation between the Economic Useful Life and the new Remaining Useful Life had be written back and caused the restatement of Accumulated Depreciation at 30 June 2012 as well as Depreciation Expenses before and after said date.</i>		
- Intangible Assets		-9 279
- Other Assets		-149 990
<i>Cumputor Hub (Asset ID 34421) appeared on the Assets Register without a value. CRC value had been obtained and Remaining Useful Life had been determined based on a condition assessment. Accordingly the asset and depreciation thereon had to be restated.</i>		999
		-670 728
<u>Impairment Losses</u>		-
<i>Roads which was reconstructed should have been written off at 30 June 2012. The cost o these roads was R15 830 784.40 and the accumulated depreciation theron was R15 339 344.08 which leave a carrying value of R491 440.32</i>		491 440
		491 440
		-
44.4 Reclassification of Expenditure - 2012/13	AFS	RESTATED
		ADJUSTMENT
Employee Related Costs	39 573 154	39 434 554
Depreciation and Amortisation	32 018 334	21 956 400
Repairs and Maintenance	2 366 019	2 308 781
Grants and Subsidies Paid	31 103 518	31 075 421
General Expenses	43 517 526	39 847 797
Government Grants (Conditional)	8 166 609	8 056 859
Loss on Disposal of Property, Plant and Equipment	2 584 867	38 967
		-138 600
Detail :		ADJUSTMENT
<u>Employee Related Costs</u>		-
<i>Reversal of Creditors raised on 30 June 2013</i>		-245
<i>The Employee Assistance Program was previous incorrectly disclosed under Employee Related Cost. It should be General Expenses.</i>		-138 355
		-138 600
<u>Depreciation and Amortisation</u>		-
<i>Assets which was still Work In Progress was incorrectly depreciated (2011/12 and 2012/13). Refer to Assets Register 30 June 2013. Asset ID 3588, 3600, 3619, 3625 and 3853.</i>		-463 843
<i>Depreciation counted back on Roads which were upgraded/ New assets created before 30 June 2012</i>		-462 950
<i>Depreciation recalculated due to the change of the Economic Useful Life of gravel roads from 3 years to 10 years.</i>		-9 704 350
<i>The Economic Useful Life of Mobile Offices were changed from 5 years to 10 years and the depreciation was restated accordingly.</i>		-39 752
<i>During the physical stock take of moveable assets items were found which was not recorded in the Assets Register. The age of said assets were determined based on the Remaining Useful Life and the Economic Useful life of each asset item. The assets were all older than two years at 30 June 2014. The items were thus capitalised and depreciated for the 2012/13 financial year.</i>		401 647

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R	
During the physical stock take of moveable assets items were found which were fully depreciated but still in use. A condition assesment was done on these items and a new Remaining Useful Life was determined. Accordingly the depreciation between the Economic Useful Life and the new Remaining Useful Life had be written back and caused the restatement of Accumulated Depreciation at 30 June 2012 as well as Depreciation Expenses fore 2012/13			
- Intangible Assets		3 866	
- Other Assets		55 621	
Cumputor Hub (Asset ID 34421) appeared on the Assets Register without a value. CRC value had been obtained and Remaining Useful Life had been determined based on a condition assessment. Accordingly the asset and depreciation thereon had to be restated.		996	
After the changing of the economic useful life of gravel roads from 3 to 10 years there were still roads which was fully depreciated. With a condition assessment a remaining useful life at 30 June 2014 was determined. The depreciation on these roads have to be restated for the previous financial year.		146 831	
		-10 061 934	
<u>Repairs and Maintenance</u>		-	
Reversal of Creditors raised on 30 June 2013		-57 238	
		-57 238	
<u>Contracted Services</u>		-	
Security Services is a Contracted Service but was previously disclosed under General Expenses.		3 454 796	
		3 454 796	
<u>Grants and Subsidies Paid</u>		-	
Reversal of Creditors raised on 30 June 2013		-28 097	
		-28 097	
<u>General Expenses</u>		-	
Reversal of Creditors raised on 30 June 2013		-386 283	
Security Services is a Contracted Service but was previously disclosed under General Expenses.		-3 454 796	
General expenses (Oil etc.) bought with Brush Cutters were incorrectly capitalised as part of the asset.		32 995	
The Employee Assistance Program was previous incorrectly disclosed under Employee Related Cost. It should be General Expenses.		138 355	
		-3 669 729	
<u>Government Grants (Conditional)</u>		-	
Reversal of Creditors raised on 30 June 2013		-109 750	
		-109 750	
<u>Loss on Disposal of Property, Plant and Equipment</u>		-	
Erven sold very long ago was incorrectly expensed during 2012/13 and two erven only transferred during 2013/14 was incorrectly disclosed as Non-Current Assets Held for Sale. This cause the Statement of Financial Performance to disclose "Unauthorised Expenditure" which was not correc as the expenditure was inflated by this amount which was not included in the budget.		-2 545 900	
		-2 545 900	
		-	
44.5 Reclasification of Statement of Financial Position : 30 June 2012	AFS	RESTATED	ADJUSTMENT
Property, Plant and Equipment	197 521 037	242 925 245	45 404 209
Intangible Assets	895 144	904 423	9 279
Investment Property	29 922 300	26 048 300	-3 874 000
Detail :			ADJUSTMENT
<u>Property, Plant and Equipment</u>			-
Assets which was still Work In Progress was incorrectly depreciated (2011/12 and 2012/13). Refer to Assets Register 30 June 2013. Asset ID 3588, 3600, 3619, 3625 and 3853.			65 419
Properties already transferred as being sold was included in the AG listing of properties to be transferred to Investment Property (Undetermined Land)			2 676 500
Three roads which falls within the jurisdiction of the Matatiele Local Municipality and one road which is within the jurisdiction of Mhlontlo Local Municipality was previously incorrectly included in the Assets Register.			-1 066 306
The gravel roads mentioned above were fully depreciated and have therefore no effect on the Accumulated Surplus			1 066 306
Roads which was reconstructed should have been written off at 30 June 2012. The cost o these roads was R15 830 784.40 and the accumulated depreciation theron was R15 339 344.08 which leave a carrying value of R491 440.32			-491 440
Accumulated Depreciation recalculated due to the change of the Economic Useful Life of gravel roads from 3 years to 10 years.			40 715 865
The Economic Useful Life of Mobile Offices were changed from 5 years to 10 years and the depreciation was restated accordingly.			99 587

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<i>During the physical stock take of moveable assets items were found which was not recorded in the Assets Register. The age of said assets were determined based on the Remaining Useful Life and the Economic Useful life of each asset item. The assets were all older than two years at 30 June 2014. The items were thus capitalised and depreciated from the estimated acquisition date to 30 June 2012</i>		
- Asset Value		1 645 888
- Accumulated Depreciation		-447 039
<i>During the physical stock take of moveable assets items were found which were fully depreciated but still in use. A condition assessment was done on these items and a new Remaining Useful Life was determined. Accordingly the depreciation between the Economic Useful Life and the new Remaining Useful Life had be written back and caused the restatement of Accumulated Depreciation at 30 June 2012 as well as Depreciation Expenses before and after said date.</i>		149 990
<i>Cumputor Hub (Asset ID 34421) appeared on the Assets Register without a value. CRC value had been obtained and Remaining Useful Life had been determined based on a condition assessment. Accordingly the asset and depreciation thereon had to be restated. (Value at Cost - R3 987.79 Accumulated Depreciation R998.99).</i>		2 989
<i>After the changing of the economic useful life of gravel roads from 3 to 10 years there were still roads which was fully depreciated. With a condition assessment a remaining useful life at 30 June 2014 was determined. The accumulative depreciation on these roads have to be restated at 30 June 2012.</i>		986 450
		45 404 209
Intangible Assets		-
<i>During the physical stock take of moveable assets items were found which were fully depreciated but still in use. A condition assessment was done on the computer serviced by the software and a new Remaining Useful Life was determined. Accordingly the amortisation between the Economic Useful Life and the new Remaining Useful Life had be written back and caused the restatement of Accumulated Amortisation at 30 June 2012 as well as Amortisation Expenses before and after said date.</i>		9 279
		9 279
Investment Property		-
<i>Properties already transferred as being sold was included in the AG listing of properties to be transferred to Investment Property (Undetermined Land)</i>		-2 676 500
<i>Erf 1571 Mount Frere were sold the development of low cost housing. The subdivided erven were added to the Assets Register but the parent erf (1571) have never been removed.</i>		-1 197 500
		-3 874 000
		-
44.6 Reclassification of Statement of Financial Position : 30 June 2013	AFS	RESTATED
Non-current Assets Held-for-Sale	152 500	-
Receivables from Exchange Transactions	82 205	74 840
Cash and Cash Equivalents	49 511 900	49 511 022
Operating Lease Receivables	106 514	109 975
Property, Plant and Equipment	258 318 093	268 159 560
Intangible Assets	1 006 320	1 032 998
Payables from Exchange Transactions	-13 146 797	-12 378 412
		768 385
Detail :		ADJUSTMENT
Non-current Assets Held-for-Sale		-
<i>Erven sold very long ago was incorrectly expensed during 2012/13 and two erven only transferred during 2013/14 was incorrectly disclosed as Non-Current Assets Held for Sale.</i>		-152 500
		-152 500
Receivables from Exchange Transactions		-
<i>Unsupported Debtors written off.</i>		-7 365
		-7 365
Cash and Cash Equivalents		-
<i>Unsupported balance written off</i>		-877
		-877
Operating Lease Receivables		-
<i>Hawkers (42) agreements started 17 July 2012. Increase Operating Lease Asset with straight lined portion of revenue and account for straight-lined portion of revenue.</i>		3 461
		3 461
Property, Plant and Equipment		
<i>Assets which was still Work In Progress was incorrectly depreciated (2011/12 and 2012/13). Refer to Assets Register 30 June 2013. Asset ID 3588, 3600, 3619, 3625 and 3853.</i>		463 843
<i>Creditors already transferred to Work In Progress at 30 June 2013 was reversed.</i>		-255 361
<i>The Retention raised in 2012/13 included VAT which was also capitalised as part of the DLTC Building</i>		-3 259
<i>A payment done early July 2013 towards the DLTC Building should have been capitalised and a creditor raised at the end of the year.</i>		97 825

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<i>Roads which was reconstructed should have been written off at 30 June 2012. The cost o these roads was R15 830 784.40 and the accumulated depreciation thereon was R15 339 344.08 which leave a carrying value of R491 440.32</i>		462 950
<i>Accumulated Depreciation recalculated due to the change of the Economic Useful Life of gravel roads from 3 years to 10 years.</i>		9 704 350
<i>The Economic Useful Life of Mobile Offices were changed from 5 years to 10 years and the depreciation was restated accordingly.</i>		39 752
<i>Parking Meter Server Computer Software with the Carrying Value of R R30 543.81 (Cost R30 985 minus Depreciation R441.19) was previously incorrectly included with Property Plant and Equipment. It must be disclosed under Intangible Assets.</i>		-30 544
<i>General expenses (Oil etc.) bought with Brush Cutters were incorrectly capitalised as part of the asset.</i>		-32 995
<i>During the physical stock take of moveable assets items were found which was not recorded in the Assets Register. The age of said assets were determined based on the Remaining Useful Life and the Economic Useful life of each asset item. The assets were all older than two years at 30 June 2014. The items were thus capitalised and depreciated for the 2012/13 financial year.</i>		-401 647
<i>During the physical stock take of moveable assets items were found which were fully depreciated but still in use. A condition assesment was done on these items and a new Remaining Useful Life was determined. Accordingly the depreciation between the Economic Useful Life and the new Remaining Useful Life had be written back and caused the restatement of Accumulated Depreciation at 30 June 2012 as well as Depreciation Expenses before and after said date.</i>		-55 621
<i>Cumputor Hub (Asset ID 34421) appeared on the Assets Register without a value. CRC value had been obtained and Remaining Useful Life had been determined based on a condition assesment. Accordingly the asset and depreciation thereon had to be restated</i>		-996
<i>After the changing of the economic useful life of gravel roads from 3 to 10 years there were still roads which was fully depreciated. With a condition assesment a remaining useful life at 30 June 2014 was determined. The accumulative depreciation on these roads have to be restated at 30 June 2013.</i>		-146 831
		9 841 467
<u>Intangible Assets</u>		-
<i>Parking Meter Server Computer Software with the Carrying Value of R R30 543.81 (Cost R30 985 minus Depreciation R441.19) was previously incorrectly included with Property Plant and Equipment. It must be disclosed under Intangible Assets.</i>		30 544
<i>During the physical stock take of moveable assets items were found which were fully depreciated but still in use. A condition assesment was done on the computer serviced by the software and a new Remaining Useful Life was determined. Accordingly the amortisation between the Economic Useful Life and the new Remaining Useful Life had be written back and caused the restatement of Accumulated Amortisation at 30 June 2012 as well as Amortisation Expenses before and after said date.</i>		-3 866
		26 677
<u>Investment Property</u>		-
<i>Properties sold long ago but not yet transferred to new owners were still in the Assets Register.</i>		-2 368 500
		-2 368 500
<u>Payables from Exchange Transactions</u>		-
<i>Reversal of Creditors raised on 30 June 2013</i>		864 572
<i>Creditors Raised at 30 June 2013</i>		-27 599
<i>The Retention raised on the DLTC building in 2012/13 included VAT which caused the creditor to be</i>		3 259
<i>A payment done early July 2013 towards the DLTC Building should have been capitalised and a creditor raised at the end of the year.</i>		-97 825
<i>Unsupported Creditors written off</i>		25 979
		768 386
		-

44.7 Reclassification of Cash Flow Statement:

	AFS	RESTATED	ADJUSTMENT
<u>Receipts</u>			
Property Rates	6 541 325	6 541 325	-
Government Grant and Subsidies	185 705 000	185 705 000	-
Public Contributions and Donations	6 000	6 000	-
Service Charges	809 636	809 636	-
Interest Received	2 367 222	2 367 222	-
Other Receipts	4 258 363	4 258 363	-
<u>Payments</u>			
Employee Related Costs	-38 769 788	-38 631 188	-138 599
Remuneration of Councillors	-13 219 975	-13 219 975	-
Interest Paid	-972 496	-972 496	-
Suppliers Paid	-50 175 651	-50 536 137	360 485
Other Payments	-31 103 518	-31 075 421	-28 096
	65 446 118	65 252 329	193 788
<u>Investing activities</u>			

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Purchase of Property, Plant and Equipment	-49 826 528	-49 632 739
	-50 175 205	-193 788
<u>Financing Activities</u>		
Repayment of Borrowings	-318 749	-
	-318 749	-
<u>Net movement in Cash and Cash Equivalents</u>		
Cash and Cash Equivalents at Beginning of Period	34 559 735	877
Cash and Cash Equivalents at End of Period	49 511 900	877
Details :		ADJUSTMENT
<u>Employee Related Costs</u>		
<i>Cost reduced due to Creditors reversal on 30 June 2013</i>		-245
The Employee Assistance Program was previous incorrectly disclosed under Employee Related Cost. It should be General Expenses.		-138 354
		-138 599
		-
<u>Suppliers Paid</u>		
<i>Cost reduced due to Creditors reversal on 30 June 2013</i>		283 702
<i>Overstated by the Vat on the Retention of the DLTC Building</i>		3 259
<i>Understated payment on the DLTC Building</i>		-97 826
<i>General expenses (Oil etc.) bought with Brush Cutters were incorrectly capitalised as part of the asset.</i>		32 995
The Employee Assistance Program was previous incorrectly disclosed under Employee Related Cost. It should be General Expenses.		138 354
		360 485
<u>Other Payments</u>		
<i>Cost reduced due to Creditors reversal on</i>		-28 096
		-28 096
<u>Purchase of Property, Plant and Equipment</u>		
<i>Work in Progress reduced with Creditors reversed at 30 June 2013</i>		-255 360
<i>Overstated by the Vat on the Retention of the DLTC Building</i>		-3 259
<i>Understated payment on the DLTC Building</i>		97 826
<i>General expenses (Oil etc.) bought with Brush Cutters were incorrectly capitalised as part of the asset.</i>		-32 995
		-193 788
		-

45 CHANGE IN ACCOUNTING ESTIMATES

The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of GRAP 3.

46 CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	86 546 938	5 152 144
Adjustment for:		
Changes in Accounting Policies	(15 440)	(193 788)
Correction of Prior Year Errors		
Depreciation and Amortisation	24 454 549	32 018 334
Impairment Losses on Property, Plant and Equipment	5 916	-
Losses / (Gains) on Disposal of Property, Plant and Equipment	(397 250)	2 584 867
Loss on Sale of Land	376 469	-
Property, Plant and Equipment transferred to Assets Held-for-Sale	-	152 500
Expenditure incurred from Long Service Awards Liability	(219 454)	(81 299)
Contribution to Provisions - Current	281 283	20 177
Contribution to Provisions - Non-current	398 571	795 466
Expenditure incurred from Provisions - Non-current	-	2 783 236
Contribution to Employee Benefits	(25 539)	284 192
Contribution to Impairment Provision	2 156 536	6 473 445
Operating surplus before working capital changes	113 562 579	49 989 272
Decrease/(Increase) in Inventories	112 857	(31 100)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	-	(152 500)
Decrease/(Increase) in Receivables from Exchange Transactions	(1 342 437)	(1 505 519)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(13 390 526)	(6 131 516)
Decrease/(Increase) in VAT Receivable	(4 105 459)	(1 959 515)
Decrease/(Increase) in Operating Lease Assets	(11 288)	(22 904)

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Increase/(Decrease) in Payables from Exchange Transactions	(1 669 268)	3 544 498
Increase/(Decrease) in Payables from Non-exchange Transactions	1 716 343	(307 984)
Increase/(Decrease) in Conditional Grants and Receipts	(20 416 971)	21 829 596
Cash generated by / (utilised in) Operations	74 455 829	65 252 330
	-	-

47 NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2013/14 financial year.

48 FINANCING FACILITIES

The municipality did not have any Financing Facilities available at any time during the two financial years.

49 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 18)	50 588 079	936 730
Used to finance Property, Plant and Equipment - at cost	(588 079)	(936 730)
Bridging Finance to the Department of Mineral and Energy towards the Electrification of the area.	(50 000 000)	
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

50 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

50.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	-	10 219 713
Unauthorised Expenditure current year	-	-
Approved by Council or condoned		(7 634 846)
Amount on erven sold previous years incorrectly expensed against last years budget		(2 584 867)
Unauthorised Expenditure awaiting authorisation	-	-

50.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	80 793	13 845
Fruitless and Wasteful Expenditure current year	0	80 794
Condoned or written off by Council		(13 845)
Recovered from responsible officials - Interest on late payment - Various Creditors (2012/13)	(33 432)	
Transfer to receivables for recovery - Penalty paid to the Department of Transport. (2012/13)	(47 361)	-
Fruitless and Wasteful Expenditure awaiting condonement	(0)	80 793

Incident	Disciplinary Steps / Criminal Proceedings
<i>Interest on late payment - Various Creditors - R0 (2013: R33 432)</i>	<i>To be submitted to Council (2013: Under investigation)</i>

50.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	585 438	847 728
Irregular Expenditure current year	-	585 438
Condoned or written off by Council	(585 438)	(847 728)
Irregular Expenditure awaiting condonement	-	585 438

Incident	Disciplinary Steps / Criminal Proceedings
<i>Various awards to persons in service of the state R0 (2013 : R423 645)</i>	<i>To be reported to Council to be written off</i>
<i>Various awards to persons in service of the municipality R0 (2013 : R161 793)</i>	<i>To be reported to Council to be written off</i>
<i>Deviations from SCM procedures not regarded as Irregular Expenditure</i>	

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
51 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
51.1 Contributions to organised local government - SALGA		
Opening Balance	450 000	363 422
Council Subscriptions	493 223	450 000
Amount Paid - current year	(493 223)	-
Amount Paid - previous years	(450 000)	(363 422)
Balance Unpaid (included in Creditors)	-	450 000
51.2 Audit Fees		
Opening Balance	273 896	282 956
Current year Audit Fee	2 587 099	3 353 404
Amount Paid - current year	(2 542 971)	(3 079 508)
Amount Paid - previous years	(273 896)	(282 955)
Balance Unpaid (included in Creditors)	44 128	273 896
51.3 VAT		
The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.		
51.4 PAYE, Skills Development Levy and UIF		
Opening Balance	0	-
Current year Payroll Deductions	10 650 806	9 593 264
Amount Paid - current year	(10 612 074)	(9 593 264)
Balance Unpaid (included in Creditors)	38 733	0
51.5 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	8 303 870	7 076 948
Amount Paid - current year	(8 301 778)	(7 076 948)
Balance Unpaid (included in Creditors)	2 092	-

51.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

51.7 Non-Compliance with the Municipal Finance Management Act

No known matters existed at reporting date.

51.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Citizen & Community Services	02/07/2013	Opto East Coast	Opto east coast is the preferred service provider that we have in our database and that installs and do repairs of weighbridge, the deviation is due to an exceptional case where it is impractical to follow official SCM processes(refer to ULM SCM policy 36 (1)(a)(v)	R 6 817.20
	22/07/2013	Truvelo Manufacturers (Pty) Ltd	Truvelo Manufacturers is the preferred service provider that we have in our database and that deals/ sells traffic equipment, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R 9 168.06

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

23/07/2013	Government Printing	Government Printing is the preferred service provider that we have in our database and that sells application forms for learners licences, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	4 382.94
02/09/2013	Prodiba (Pty) Ltd	Prodiba (Pty) Ltd is the preferred service provider that we have in our database and that provides LCU cartridges, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	6 329.28
02/09/2013	Truvelo Manufacturers (Pty) Ltd	Truvelo Manufacturers (Pty) Ltd is the preferred service provider that we have in our database and that provides Traffic Equipment Laser Witness Speed Timing Machine, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	195 000.00
10/09/2013	Rand Data Forms (Pty) Ltd	Rand Data Forms (Pty) Ltd is the preferred service provider that we have in our database and that provides Compliance Notice Books and Section 56, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	19 323.00
10/09/2013	Spargs Superspar	Spargs Superspar is the preferred service provider that we have in our database and that provides with grocery and that the municipality has an account with, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	101 254.48
17/09/2013	Husqvarna	Husqvarna is the preferred service provider that we have in our database and that provides services & repairs on brush cutting machines, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	28 866.13
19/09/2013	Mindmuzik Media (PTY) LTD	Mindmuzik Media (PTY) LTD is the preferred service provider that we have in our database and that provides as they are the sole suppliers of the revised learners material as prescribed by the Department of Transport, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	4 359.39
16/10/2013	DMAC Hydarulics & Engineering	DMAC Hydraulics & Engineering is the preferred service provider that we have in our database that specialises in Bulk Bags and since the machine was also purchased from DMAC . the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	14 250.00
21/10/2013	Emcom	Emcom is the preferred service provider that we have in our database and that renders this type of service, and that the Base Station is already in use in Mt Ayliff and was purchased from EMCOM and MT Frere must have its own Base Station. The deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	20 790.75
04/11/2013	Marie's Workshop	Marie's Workshop is the sole service provider that we have in our database and that specialise on Appointment cards for traffic officers and since its an Act, it is proper to purchase the Cards from Marie Workwhop. The deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	2 257.20
04/11/2013	Government Printing	Government Printing works is the preferred service provider that we have in our database that specialises on Theory test for learners licence and from th previous engagement, the design and layouts fees will not be included as other companies will charge latter. the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	2 366.07

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

			2014 R	2013 R
06/11/2013	Neffcon Roadtech	Neffcon Roadtech is the sole service provider that we have in our database and that specialise on repairs on scuff gauge, and tried to look for other quotes not all in vain. The deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	11 286.00
06/11/2013	Opto East Coast (PTY) LTD	Opto east coast is the preferred service provider that we have in our database and that installs and do repairs of weighbridge, the deviation is due to an exceptional case where it is impractical to follow official SCM processes(refer to ULM SCM policy 36 (1)(a)(v)	R	32 253.54
06/11/2013	Lexis Nexis	Lexis Nexis is the sole service provider that we have in our database and that specialise on selling Act books and amended statute, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	9 282.20
19/11/2013	FG Uniforms cc	FG Uniforms cc is the sole service provider that we have in our database and that specialise on law enforcement uniforms, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	192 509.18
22/11/2013	Mascor Mount Currie John Deere	Mascor Mount Currie John Deere is the sole service provider that we have in our database and that specialise on John Deere tractor, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	2 792.01
22/11/2013	FG Uniforms	F.G. Uniforms is the sole service provider that we have in our database and that specialise on Traffic Uniforms, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	175 355.03
15/01/2014	Truvelo Manufacturers (Pty) Ltd	Truvelo Manufacturers (Pty) Ltd is the sole service provider that we have in our database and that specialises on calibration of traffic equipment, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	7 611.94
22/01/2014	Rand Data Forms	Rand Data Forms is the sole service provider that we have in our database and that specialises on reprinting of forms stipulating and enforcing Traffic laws, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	8 418.90
27/01/2014	DMAC Hydraulics & Engineering	DMAC Hydraulics & Engineering is the sole service provider that we have in our database and that specialises on this kind of machine and the service is done by DMAC as it also covers gaurantee and warranty, The deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	19 448.74
04/02/2014	C & S Husqvarna	C & S Husqvarna is the preferred service provider that we have in our database and that provides repairs of brush cutters, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	24 478.02
11/02/2014	Barloworld	Barloworld is the preferred service provider that we have in our database and that provides repairs and maintenance of CAT TLB and it also carries warranties and gaurantees , the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	14 930.52
11/02/2014	Magna Business Consultants	Magna Business Consultants is the preferred service provider that we have in our database and that provides services on installation of of Trafman Image Processing system and they are the only one specialises on Trafman Equipment , the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	160 491.48

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

				2014 R	2013 R
	09/05/2014	LexisNexis	LexisNexis is the sole service provider that we have in our database and that can assist with this type of a product, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	4 986.36
	05/05/2014	Opto East Coast	Opto East Coast is the preferred and sole service provider that we have in our database that can render this type of a service and as a result it is proper that this equipment be purchased from Opto East Coast, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	26 847.00
27 Occasions occurred during the financial year					
Budget and Treasury	15/08/2013	King B	King B is the preferred service provider that we have in our database and that supply this type of receipt books, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	6 618
	19/11/2013	Munsoft	Munsoft is the sole service provider that we have in our database and is also the only major system used by BTO department and it is proper that Munsoft must supply with this OKI ML3321 printers. The deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	19 562.40
2 Occasion occurred during the financial year for					
Infrastructure and Planning	03/07/2013	South African Institute of Engineering	SAICE is the preferred service provider that we have in our database and that sell this type of books, the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).	R	4 520
	22/08/2013	Barloworld Caterpillar	Barloworld Caterpillar is the manufacture of Cat TLB and the TLB is under warranty. the deviation was due to exceptional case where it is impractical or impossible to follow the official procurement processes. (refer to ULM SCM policy 36 (1)(a) (v).	R	11 327
2 Occasions occurred during the financial year for					
Corporate Services	07/10/2014	Lexis Nexis	Lexis Nexis is the preferred service provider that we have in our database that specialises on Legislation books and from the previous engagement, the design and layouts fees will not be included as other companies will charge latter. the deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).		4 309.50
	16/10/2013	Lexis Nexis	Lexis Nexis is the preferred service provider that we have in our database that specialises on Legislation books and they are the only services providers that can assist with this type of product. The deviation is due to an exceptional case where it is impractical to follow official SCM processes, (refer to ULM SCM policy 36 (1)(a) (v).		5 533.56
2 Occasions occurred during the financial year for					

52 COMMITMENTS FOR EXPENDITURE

52.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Land and Buildings

Infrastructure

Community

Reclaimable Input Value Added Tax (VAT)

36 221 833

32 947 346

103 882

311 556

31 023 424

22 052 668

646 231

5 761 785

4 448 295

4 821 338

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Total Capital Commitments	36 221 833	32 947 346
This expenditure will be financed from:		
Government Grants	36 221 833	32 947 346
	36 221 833	32 947 346

52.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 17 and 18.
Non-cancellable Operating Lease Commitments are disclosed in Note 17.

53 FINANCIAL INSTRUMENTS

53.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Receivables from Exchange Transactions			
Refuse	Amortised cost	1 136 235	50 958
Other Receivables	Amortised cost	3 133 538	23 882
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	6 302 728	556 813
Accruals	Amortised cost	959 221	999 198
Sundry Deposits	Amortised cost	25 473	16 632
Interest on Outstanding Debtors	Amortised cost	404 472	58 628
Cash and Cash Equivalents			
Call Deposits	Amortised cost	20 387 680	49 511 022
Bank Balances	Amortised cost	22 661 241	-
Cash Floats and Advances	Fair value	0	0

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost:

Receivables from Exchange Transactions	Refuse	1 136 235	50 958
Receivables from Exchange Transactions	Other Debtors	3 133 538	23 882
Receivables from Non-exchange Transactions	Assessment Rates Debtors	6 302 728	556 813
Receivables from Non-exchange Transactions	Accruals	959 221	999 198
Receivables from Non-exchange Transactions	Sundry Deposits	25 473	16 632
Receivables from Non-exchange Transactions	Sundry Debtors	404 472	58 628
Cash and Cash Equivalents	Call Deposits	20 387 680	49 511 022
Cash and Cash Equivalents	Bank Balances	22 661 241	-
		58 693 732	51 217 134

Financial Assets at Fair Value:

Cash and Cash Equivalents	Cash Floats and Advances	0	0
		0	0
Total Financial Assets		58 693 732	51 217 134

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	32 788 439	-
Finance Lease Liabilities	Amortised cost	206 723	588 079
Payables from Exchange Transactions			

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014	2013
		R	R
Trade Creditors	Amortised cost	7 064 578	9 154 928
Staff Leave Accrued	Amortised cost	3 966 993	2 635 598
Retentions	Amortised cost	1 014 080	540 121
Other Creditors	Amortised cost	546 411	47 765
Payables from Non-exchange Transactions			
Interest on External Loan		1 250 137	-
Payments Received In Advance	Amortised cost	1 146 512	665 500
Sundry Deposits	Amortised cost	48 431	63 238
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	17 211 561	-
Finance Lease Liabilities	Amortised cost	381 356	348 650
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	32 788 439	-
Long-term Liabilities	Finance Lease Liabilities	206 723	588 079
Payables from Exchange Transactions	Trade Creditors	7 064 578	9 154 928
Payables from Exchange Transactions	Projects	3 966 993	2 635 598
Payables from Exchange Transactions	Retentions	1 014 080	540 121
Payables from Exchange Transactions	Other Creditors	546 411	47 765
Payables from Non-exchange Transactions	Staff Leave Accrued	1 250 137	-
Payables from Non-exchange Transactions	Staff Salaries	1 146 512	665 500
Payables from Non-exchange Transactions	Sundry Deposits	48 431	63 238
Current Portion of Long-term Liabilities	Annuity Loans	17 211 561	-
Current Portion of Long-term Liabilities	Finance Lease Liabilities	381 356	348 650
Total Financial Liabilities		65 625 221	14 043 879

53.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2014, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R **2013**
R

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2014

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits		20 387 680		20 387 680
Bank Balances and Cash	-	22 661 241	-	22 661 241
Total Financial Assets	<u>-</u>	<u>43 048 921</u>	<u>-</u>	<u>43 048 921</u>
Total Financial Instruments	<u>-</u>	<u>43 048 921</u>	<u>-</u>	<u>43 048 921</u>

30 June 2013

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits		49 511 022		49 511 022
Bank Balances and Cash	-	0	-	0
Total Financial Assets	<u>-</u>	<u>49 511 022</u>	<u>-</u>	<u>49 511 022</u>
Total Financial Instruments	<u>-</u>	<u>49 511 022</u>	<u>-</u>	<u>49 511 022</u>

53.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 21 and the Statement of Changes in Net Assets.

Gearing Ratio

2014
R **2013**
R

The gearing ratio at the year-end was as follows:

Debt	50 588 079	936 730
Cash and Cash Equivalents	(20 388 680)	(49 511 022)
Net Debt	<u>30 199 399</u>	<u>(48 574 293)</u>
Equity	<u>386 286 872</u>	<u>299 755 373</u>
Net debt to equity ratio	<u>7.82%</u>	<u>-16.20%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014	2013
R	R

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

53.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

53.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

53.6 Market Risk

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

53.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

53.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014 **2013**
R **R**

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

53.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with First National Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Long-term Receivables	-	-
Receivables from Exchange Transactions	9 907 179	10 749 710
Receivables from Non-exchange Transactions	37 067 898	32 940 729
Bank, Cash and Cash Equivalents	43 049 921	49 511 022
Maximum Credit and Interest Risk Exposure	90 024 998	93 201 462

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:		
Consumer Debtors	27.97%	5.77%
Total Credit Risk	<u>27.97%</u>	<u>5.77%</u>
Bank and Cash Balances		
First National Bank	20 388 680	49 511 022
Cash Equivalents	22 661 241	0
Total Bank and Cash Balances	<u>43 049 921</u>	<u>49 511 022</u>

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

53 FINANCIAL INSTRUMENTS (Continued)

53.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 45 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

53.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014	2013
R	R

54 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R4 320 331 (2013: R2 654 296) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Municipal Employees Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 28 February 2008.

The net assets available for benefits were R5 715 557 193.

No further information could be obtained.

National Fund for Municipal Workers - Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The fund does not have any reserves or surpluses which can be allocated to members' fund records.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of 6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,83% (1 July 2007: 100,26%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

No further information could be obtained.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the market value of the fund was R1 446,8 (30 June 2009: R1 223,7) million. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2010.

No further information could be obtained.

Municipal Employees Pension Fund

No details could be provided for the fund and of any valuation performed.

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014	2013
R	R

The valuation performed as at 30 June 2012 revealed that the market value of the fund was R12 537 (30 June 2010: 9 774) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be in sound financial condition as at 30 June 2012.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 01 July 2010.

The net assets available for benefits were R4 191 (2008: R3 617) million.

The statutory valuation performed as at 1 July 2010 revealed that the fund had a deficit of R9,6 (1 July 2008: R6,3) million, with a funding level of 99,77% (1 July 2008: 99,83%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

None of the above mentioned plans are State Plans.

55 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

55.1 Services rendered to Related Parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

55.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note N/A to the Annual Financial Statements.

55.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

55.4 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

56 CONTINGENT LIABILITIES

56.1 Guarantees:

The municipality did not issue any guarantee during the financial years under review.

56.2 Court Proceedings:

	<u>4 857 346</u>	<u>5 989 736</u>
(a) Wrongful Arrest: The municipality has been sued for R560 000 by an individual for a wrongful arrest and detention by a traffic officer.		560 000
(b) ULM/ Simthembile Kufa The applicant has unlawfully occupied and demarcated and subdivided land for building the mortuary and dwellings. No approval for construction issued. R200 000		200 000
(c) Non-payment for work done: The municipality are being sued by Maximum Profit Recovery (Pty) Ltd for an amount of R300 000 for a VAT recovery audit being done by them and afterwards by another service provider who was paid the relevant commission. Possibility of settlement as parties has started to engage each other. The matter was set down for trial to the 07th of March 2014 but matter could not proceed and it was postponed sine die. We have filed our discovery notices and now we waiting for the pre-trial date.	300 000	300 000
(d) Quinlec Electricity Civil Claim against the municipality. (R90 000)		90 000
(e) Dispute over Contract awarded	906 005	906 005

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Phiko Security Services have instituted action against the municipality for an amount of R756 005 plus interest at 15.5% for services rendered plus legal costs. The value of the liability is estimated at about R906 005. Court date 15 April 2015.		
(f) Sunset Beach Trading 299CC The claimant has brought a case against the municipality for cancelling a contract and the municipality is exposed to the value of the contract for R900 000. This matter was on the roll for trial. The plea was served and filed at Court on the 13th of May 2014	900 000	900 000
(g) ULM Ratepayers Association Letter of demand sent to the municipality demanding cessation. (R100 000). In this matter the ratepayers in March 2014 sent a letter of demand to municipality demanding cessation from Umzimvubu Local Municipality and we have responded to the same	100 000	100 000
(h) Mr Khaya Jackson Mandyoli - Vehicle impound by Traffic Officers Mr Mandyoli claims against the municipality an amount of R160 000 for damages suffered because of the impounding of his vehicle by the Municipal Traffic Officers.	160 000	160 000
(i) Mathemba Lawrence Ngqwala - Occupation of land Dispute over property which the municipality occupies. (R100 000)		100 000
(j) Illiso Consulting (Pty) Ltd Civil Claim against the municipality. (R90 000)		90 000
(k) Tumbu NF Litigation matter. (R120 000)		120 000
(l) Ndlobeni ASJ Labour Law (R80 000)		80 000
(m) Zanamanzi Services (Pty) Ltd The plaintiff is suing the Municipality for an amount in the sum of R176 606.91 for the rehabilitation and installation of water infrastructure at Maluti. The pleadings in this matter have been closed, however still waiting for trial date at Mthatha High Court.	176 607	258 731
(n) Fana Makaula, Jeffery Sankqela and others and Andile Menyo. Matters arising from the invasion of land. The exposure to the municipality is valued at R770 000	770 000	770 000
(o) Wage Curve Judgement In a court case between the South African Local Government Association (SALGA) and the municipal Trade Unions the Labour Court has ruled in favour of the unions and ordered that the wage curve adjustment implemented from 1 July 2010 be adjusted by 8.48%. SALGA applied for leave to appeal against the judgement. The municipality will have a liability to the value of approximately R1 155 000 should SALGA not be successful in its appeal.		1 155 000
(q) Reviewing of contracts : R200 000	200 000	200 000
(r) TCN Architects// Umzimvubu Local Municipality The plaintiff is suing the Municipality an amount of R326 234.48 arising from the contract alleged to have been entered between the plaintiff and the Municipality. The case is still on pleading stage. No court date as yet.	326 234	
(s) Mpumzi Goodman Makeng// Umzimvubu Local Municipality The plaintiff is suing the Municipality for breach of contract; the matter is on the Opposed Court at Mthatha High Court. The matter is on the roll for trial on the 29th of August 2014	137 500	
(t) KV Jizana // Umzimvubu Local Municipality The Applicant in this matter has moved the application at Court for the delivery of the beast which was brought to our attention for safe keeping by the Station Commissioner in Mount Ayliff Police Station. The matter is on Opposed Court at Mount Ayliff Magistrate Court. The has been set down on contested Opposed roll for trial on the 23rd day of July 2014 at Mount Ayliff Magistrate's Court.	8 000	
(u) Madodana Mayekiso //Umzimvubu Local Municipality The plaintiff is claiming the value of his Goats which were sold on Auction by the Municipality after they were impounded. The estimated value of goats is R15000.00 as per the letter sent to us by the Plaintiff's Attorneys. There are no summons issued as yet hence there is no Court case no.	15 000	
(v) Ngangelizwe Jama//Umzimvubu Local Municipality In this matter the Municipality is sued by the Plaintiff for malicious arrest, detention and prosecution. The matter was set down for trial on the 20th of May 2014 but however the matter was removed from the roll due to the unavailability of Plaintiff's Attorneys otherwise our plea was filled and served long time ago.	560 000	

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
(w) Imbuba Mzamani JV//Umzimvubu Local Municipality	198 000	
The plaintiff was claiming in full and final settlement of the amount for the work they have done for Municipality. In this matter the Municipality has raised a point in limine arising from irregularities and notice in terms of rule 60 of magistrates Court rules was served and filed to the plaintiff's Attorneys.		
(x) S Mhlongo/Umzimvubu Local Municipality	100 000	
The plaintiff is claiming the money to the value of R100 000 for unlawful arrest and detention by the traffic Officers.		

57 CONTINGENT ASSETS

The case of Mbali Rural developers against the Municipality was dismissed by the court, and Mbali has to pay the Municipality legal costs amounting to R200 000,00 as per Norton Rose Attorneys.

58 IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance:

(i) Secondment of International Finance Advisor by National Treasury for two years			
LED Event Prize Money	Womans Investment Portfolio Holdings		6 000
16 Days of activism campaign	SEBL	3 000	
	Tswelapele	15 000	
	ITNA	22 000	
	Bantubanye	15 000	
	Miscellaneous	1 100	
Annual Tourism Celebration	FNB	30 000	
	Alfred Nzo DM	34 200	
		<hr/>	
		120 300	<hr/>
		<hr/>	6 000

59 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

60 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2014.

61 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 43) and Prior Period Errors (Note 44).

62 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

- (i) The Council adopted the 2014/15 to 2016/17 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- (ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
UMZIMVUBU LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2013	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2014
ANNUITY LOANS	R				R	R	R	R
DBSA - Electricity Infrastructure	50 000 000	9.00%		07-Aug-16	-	50 000 000	-	50 000 000
Total Annuity Loans	50 000 000				-	50 000 000	-	50 000 000
CAPITAL LEASE LIABILITIES								
Isuzu KB50D LWB S/Cab FMX 914 EC	187 807	9.00%	1	21-Jan-16	104 385		38 970	65 415
Isuzu KB250D TEQ S/Cab FMX 923 EC	265 351	9.00%	2	22-Dec-15	147 484		55 060	92 424
Isuzu KB250D TEQ D/Cab FMX 972 EC	328 421	9.00%	3	21-Jan-16	182 539		68 147	114 392
Chevrolet Aveo 1.6 L FNH 218 EC	137 450	9.00%	4	31-Jan-16	78 659		28 308	50 350
Chevrolet Aveo 1.6 L FMX 935 EC	152 450	9.00%	5	21-Jan-16	84 733		31 633	53 100
Chevrolet Aveo 1.6 L FMX 936 EC	152 450	9.00%	6	21-Jan-16	84 733		31 633	53 100
Chevrolet Aveo 1.6 L FMX 937 EC	152 450	9.00%	7	21-Jan-16	84 733		31 633	53 100
Chevrolet Aveo 1.6 L FMX 938 EC	152 450	9.00%	8	21-Jan-16	84 733		31 633	53 100
Chevrolet Aveo 1.6 L FMX 940 EC	152 450	9.00%	10	21-Jan-16	84 733		31 633	53 100
Total Capital Lease Liabilities	1 681 279				936 730	-	348 650	588 079
TOTAL EXTERNAL LOANS	51 681 279				936 730	50 000 000	348 650	50 588 079

ANNUITY LOANS:

DBSA:

The Annuity Loan was taken up during the year and is repayable in 3 instalments over the next three financial years at an interest rate of 9,00% per annum. The Annuity Loan is secured by Electrification Grants to be received from National Government in accordance with the Division of Revenue Act for the next three years.

Vehicle Leases:

Vehicles are leased from Fleetafrica for a period of 5 years at the interest rate of 9%. At the expiry of the leases, the municipality do not have the option to (a) extend or assign the lease for a further period, or (b) repurchase the assets with the sales proceeds refunded to the municipality as a rebate of rentals.

APPENDIX B
UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2014
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Land and Buildings	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Land:</i>													
Land: Developed	-	34 869	666 615	(23 796)	(11 074)	666 615	-	-	-	-	-	666 615	-
Land: Undeveloped	7 016 100	38 856	-	-	(48 200)	7 006 756	-	-	-	-	-	7 006 756	-
<i>Buildings:</i>													
Office Buildings	28 788 430	-	4 205 592	-	-	32 994 022	4 458 150	1 150 781	-	-	5 608 930	27 385 092	97 825
Residences	-	-	3 457 204	-	-	3 457 204	-	-	-	-	-	3 457 204	410 040
Mobile Offices	427 663	-	-	-	-	427 663	142 264	42 731	-	-	184 995	242 668	-
	36 232 193	73 725	8 329 411	(23 796)	(59 274)	44 552 260	4 600 414	1 193 512	-	-	5 793 925	38 758 335	507 866
Infrastructure													0
<i>Electricity:</i>													
Electricity Supply and Reticulation	-	-	43 179 903	-	-	43 179 903	-	-	-	-	-	43 179 903	29 000 000
<i>Roads and Transport:</i>													
Bridges - Vehicle: Concrete	1 919 260	-	-	-	-	1 919 260	223 496	38 358	-	-	261 854	1 657 407	-
Bus / Taxi Terminals	152 952	-	-	-	-	152 952	81 612	10 189	-	-	91 801	61 151	-
Parking Meters	185 000	-	-	-	-	185 000	878	12 324	-	-	13 202	171 798	270 000
Roads - Asphalt	54 857 848	-	34 866 335	-	-	89 724 183	3 501 270	1 145 388	-	-	4 646 658	85 077 525	55 000 000
Roads - Gravel Surface	184 953 965	19 807 759	4 200 031	7 674 185	-	216 635 939	103 975 839	13 236 431	-	-	117 212 270	99 423 669	18 166 013
Roads - Retaining Walls	3 581	-	-	-	-	3 581	1 491	179	-	-	1 670	1 910	-
Street Lighting	1 729 385	265 556	-	-	-	1 994 941	1 184	86 410	-	-	87 594	1 907 347	265 556
Streetname Signs	426 007	-	-	-	-	426 007	10 638	42 566	-	-	53 204	372 804	-
Traffic Signs	104 467	-	-	-	-	104 467	33 231	10 438	-	-	43 669	60 798	-
<i>Sanitation:</i>													
Landfill Site - Structure	6 558 012	-	-	-	-	6 558 012	921 644	327 676	-	-	1 249 320	5 308 691	-
Landfill Site - Weighbridge	-	-	294 926	-	-	294 926	-	-	-	-	-	294 926	-
Transfer Station	-	-	1 056 937	-	-	1 056 937	-	-	-	-	-	1 056 937	-
Sanitation - Concrete Bins	23 220	-	-	-	-	23 220	6 752	4 641	-	-	11 394	11 826	-
<i>Security Measures:</i>													
Fencing / Perimeter Protection	3 165 113	-	-	-	-	3 165 113	1 891 248	219 792	-	-	2 111 040	1 054 073	-
<i>Sewerage:</i>													
Sewer Purification Works	625 096	-	-	-	-	625 096	1 369	41 643	-	-	43 012	582 085	-
<i>Water:</i>													
Water Boreholes - Mechanical	57 014	-	-	-	-	57 014	11 417	3 798	-	-	15 215	41 799	-
Water Boreholes - Structure	100 000	170 000	-	-	-	270 000	100 000	19 365	-	-	119 365	150 635	-
Water Tanks	7 805	-	-	-	-	7 805	1 752	1 114	-	-	2 866	4 938	-
	255 541 048	20 243 315	83 598 132	7 674 185	-	367 056 680	110 812 048	15 424 216	-	-	126 236 264	240 820 416	102 701 569
Community Assets													0
<i>Recreational Facilities:</i>													
Parks	-	-	7 682 822	-	-	7 682 822	-	-	-	-	-	7 682 822	1 773 589
Indoor Sports Facilities	73 368	-	-	-	-	73 368	11 739	2 933	-	-	14 672	58 696	-
Outdoor Sports Facilities	3 960 066	-	-	-	-	3 960 066	623 938	158 299	-	-	782 236	3 177 829	-

APPENDIX B
UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2014
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Basketball Courts	264 478	-	-	-	-	264 478	42 318	10 572	-	-	52 890	211 588	-
Fencing / Perimeter Protection	186 028	-	-	-	-	186 028	74 416	18 587	-	-	93 004	93 024	-
<i>Other Facilities:</i>													
Care Centers	42 720 401	-	-	-	-	42 720 401	16 673 665	1 707 693	-	-	18 381 358	24 339 043	-
Cemeteries	230 572	-	1 536 329	-	-	1 766 901	36 918	9 217	-	-	46 135	1 720 766	-
Community Centers	30 537 687	2 512 650	7 716 948	2 902 366	-	43 669 652	9 282 934	1 329 556	-	-	10 612 490	33 057 161	1 112 290
Fencing / Perimeter Protection	58 015	-	-	-	-	58 015	51 907	872	-	-	52 779	5 236	-
Libraries	-	6 035 200	-	-	-	6 035 200	-	-	-	-	-	6 035 200	190 000
Markets	-	-	1 725 135	5 188 685	-	6 913 821	-	149 708	-	-	149 708	6 764 113	5 560 281
Nurseries	1 861	-	503 439	-	-	505 300	37	74	-	-	112	505 188	-
Public Conveniences and Bathroom	455 197	876 048	-	-	-	1 331 245	126 310	31 532	-	-	157 842	1 173 403	-
Pound	518 593	-	838 481	-	-	1 357 074	1 136	20 730	-	-	21 866	1 335 208	-
	79 006 265	9 454 298	20 003 154	8 091 052	-	116 554 768	26 925 318	3 439 774	-	-	30 365 091	86 189 677	8 636 160
Leased Assets													-
Leased Motor Vehicles	1 681 279	-	-	-	-	1 681 279	845 822	336 072	-	-	1 181 894	499 385	-
	1 681 279	-	-	-	-	1 681 279	845 822	336 072	-	-	1 181 894	499 385	-
Other Assets													-
<i>Computer Equipment:</i>													
Computer Hardware	3 477 979	1 294 166	-	-	(279 210)	4 492 934	2 213 111	725 662	-	(279 202)	2 659 572	1 833 362	1 026 520
Computer Networks	128 382	252 902	-	-	-	381 284	37 374	38 497	-	-	75 871	305 414	-
<i>Emergency Equipment:</i>													
Emergency / Rescue Equipment	23 396	-	-	-	-	23 396	1 556	4 677	-	-	6 233	17 163	-
Fire Equipment	56 571	-	-	-	-	56 571	19 603	14 013	-	-	33 616	22 956	-
<i>Furniture and Fittings:</i>													
Cabinets and Cupboards	71 297	-	-	-	-	71 297	43 245	7 124	-	-	50 369	20 929	-
Chairs	94 095	-	-	-	-	94 095	95 972	(1 877)	-	-	94 095	0	-
Desks and Tables	14 481	-	-	-	-	14 481	8 040	1 447	-	-	9 487	4 994	-
Domestic / Hostel Furniture	151 890	-	-	-	-	151 890	66 237	14 705	-	-	80 943	70 947	-
Other Furniture and Fittings	2 811 752	212 173	-	-	(3 519)	3 020 406	2 275 781	424 024	-	(3 519)	2 696 287	324 120	718 025
Air Conditioners (Individual)	398 289	-	-	-	-	398 289	209 066	125 286	-	-	334 351	63 937	-
Domestic Equipment	76 458	18 443	-	-	-	94 901	69 055	5 794	-	-	74 849	20 053	-
Kitchen Appliances	34 347	-	-	-	-	34 347	21 455	6 866	-	-	28 321	6 026	-
Decorative Sinage	350 600	-	-	-	-	350 600	78 440	50 047	-	-	128 487	222 113	-
<i>Motor Vehicles:</i>													
Bakkies (LDV's)	445 270	587 581	-	-	(445 270)	587 581	320 664	105 301	-	(398 379)	27 586	559 996	3 250 000
Busses	316 216	-	-	-	-	316 216	227 711	56 892	-	-	284 603	31 613	-
Motor Cars	1 094 366	143 060	-	-	(390 400)	847 026	357 489	203 109	-	(284 413)	276 185	570 841	-
Tractors	179 386	-	-	-	-	179 386	21 503	32 299	-	-	53 803	125 583	-
Trailers and Accessories	150 200	-	-	-	-	150 200	99 493	27 025	-	-	126 518	23 682	-
Trucks	1 056 207	-	-	-	(394 740)	661 467	649 335	187 897	-	(353 155)	484 077	177 390	-
<i>Office Equipment:</i>													
Office Machines	190 878	36 788	-	-	(6 521)	221 144	135 680	34 835	-	(5 871)	164 644	56 500	-
Photographic Equipment	200 226	-	-	-	-	200 226	164 331	25 822	-	-	190 153	10 072	-

APPENDIX B
UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2014
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<i>Plant and Equipment:</i>	R	R	R	R	R	R	R	R	R	R	R	R	R
Compressors, Generators and Allied Equipment	70 686	27 340	-	-	-	98 026	20 078	14 129	-	-	34 208	63 818	-
Container - Storage	634 535	-	-	-	-	634 535	381 207	126 838	-	-	508 045	126 490	-
Earthmoving Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Gardening Equipment	343 313	104 640	-	-	-	447 953	116 017	94 740	-	-	210 757	237 197	-
Radio Equipment	57 546	-	-	-	-	57 546	34 876	6 891	-	-	41 767	15 779	-
Road Construction and Maintenance Equipment	-	-	-	-	-	-	-	-	-	-	-	-	680 500
Security Equipment / Systems / Materials	168 262	-	-	-	-	168 262	13 914	33 634	-	-	47 548	120 714	-
Tents, Flags and Accessories	26 100	-	-	-	-	26 100	57	5 217	-	-	5 274	20 826	-
Workshop Equipment	319 506	-	-	-	-	319 506	7 946	63 866	-	-	71 812	247 693	-
Workshop Tools	1 048 342	-	-	-	-	1 048 342	929 570	50 306	-	-	979 876	68 465	1 115 000
Other Plant and Equipment	1 284 912	3 968 004	-	-	-	5 252 916	624 921	960 712	-	-	1 585 633	3 667 283	-
<i>Specialised Vehicles:</i>													
Tipplers	305 072	-	-	-	(305 072)	-	219 684	53 230	-	(272 914)	-	-	-
Waste Disposal Trucks	1 809 699	-	-	-	-	1 809 699	199 921	162 756	-	-	362 677	1 447 021	-
	17 444 871	7 624 348	-	-	(1 824 733)	23 244 486	9 689 784	3 702 014	-	(1 597 453)	11 794 345	11 450 141	7 090 045
													-
Total	389 905 656	37 395 686	111 930 697	15 741 441	(1 884 006)	553 089 474	152 873 386	24 095 587	-	(1 597 453)	175 371 520	377 717 954	118 935 640
						0.00					0.00	0.00	0.00

UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2014
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Investment Properties	R	R	R	R	R	R	R	R	R	R	R	R	R
IP Land	23 679 800	(73 725)	-	-	(3 194 500)	20 411 575	-	-	-	-	-	20 411 575	-
	23 679 800	(73 725)	-	-	(3 194 500)	20 411 575	-	-	-	-	-	20 411 575	-
						0.00							

UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2014
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Intangible Assets	R	R	R	R	R	R	R	R	R	R	R	R	R
Website	-	-	122 400	-	-	122 400	-	-	-	-	-	122 400	100 000
Computer Software	1 807 914	167 305	-	-	-	1 975 219	861 316	364 877	-	-	1 226 193	749 025	957 900
	1 807 914	167 305	122 400	-	-	2 097 619	861 316	364 877	-	-	1 226 193	871 425	1 057 900
						0.00							

APPENDIX B
UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2014
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R

UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 41091
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Heritage Assets	R	R	R	R	R	R	R	R	R	R	R	R	R
Jewellery	17 719	-	-	-	-	17 719	-	-	-	-	-	17 719	-
	17 719	-	-	-	-	17 719	-	-	-	-	-	17 719	-
						0.00							
Total Asset Register													
	415 411 089	37 489 266	112 053 097	15 741 441	(5 078 506)	575 616 387	153 734 702	24 460 465	-	(1 597 453)	176 597 714	399 018 674	119 993 540

APPENDIX C
UMZIMVUBU LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	2 062 213	129 003	-	-	(27 534)	2 163 682	1 081 988	286 926	-	(27 534)	1 341 380	822 302
Finance and Administration	10 062 389	1 758 690	122 400	-	(1 713 723)	10 229 757	6 432 910	1 871 320	-	(1 486 446)	6 817 784	3 411 973
Planning and Development	1 708 049	253 191	503 439	6 244 300	(31 046)	8 677 933	475 958	428 685	-	(31 043)	873 600	7 804 333
Community and Social Services	76 977 721	9 901 862	5 241 356	1 846 751	(15 829)	93 951 861	28 956 956	3 429 839	-	(15 829)	32 370 966	61 580 895
Public Safety	4 156 430	490 781	838 481	-	-	5 485 692	1 101 622	660 034	-	-	1 761 656	3 724 037
Waste Management	9 284 500	3 907 790	1 351 863	-	-	14 544 153	1 183 317	1 147 364	-	-	2 330 681	12 213 472
Roads and Transport	311 159 787	21 047 949	103 995 558	7 650 389	(3 290 375)	440 563 309	114 501 951	16 636 298	-	(36 601)	131 101 647	309 461 662
Total	415 411 089	37 489 266	112 053 097	15 741 441	(5 078 506)	575 616 387	153 734 702	24 460 465	-	(1 597 453)	176 597 714	399 018 674

APPENDIX D
UMZIMVUBU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

2013 Actual Income	2013 Actual Expenditure	2013 Surplus/ (Deficit)	Description	2014 Actual Income	2014 Actual Expenditure	2014 Surplus/ (Deficit)
R	R	R		R	R	R
150 000	28 619 473	(28 469 473)	Executive and Council	150 000	29 696 042	(29 546 042)
127 280 952	66 344 363	60 936 590	Finance and Administration	139 604 764	62 291 392	77 313 372
54 371 859	51 770 121	2 601 738	Planning and Development	86 068 743	35 498 209	50 570 534
(1 310 322)	2 542 380	(3 852 702)	Community and Social Services	122 842	2 679 870	(2 557 028)
4 135 735	9 605 553	(5 469 818)	Public Safety	11 291 048	18 656 230	(7 365 182)
2 661 831	10 096 110	(7 434 279)	Waste Management	8 675 820	10 544 537	(1 868 716)
187 290 055	168 977 998	18 312 056	Total	245 913 218	159 366 280	86 546 938

APPENDIX E(1)
UMZIMVUBU LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14											2012/13			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
REVENUE - STANDARD	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Governance and Administration:															
Executive and Council	-	150 000	150 000	-	(300 000)	(150 000)	150 000		300 000	0.00	0.00				150 000
Budget and Treasury Office	144 414 198	10 947 922	155 362 120	-	-	155 362 120	139 427 653		(15 934 467)	89.74	96.55				127 037 136
Corporate Services	370 000	85 000	455 000	-	-	455 000	177 112		(277 888)	38.93	47.87				243 816
Community and Public Safety:															
Community and Social Services	336 000	118 000	454 000	-	(177 000)	277 000	124 842		(152 158)	45.07	37.16				(1 310 322)
Public Safety	4 693 700	380 839	5 074 539	-	-	5 074 539	11 291 048		6 216 509	222.50	240.56				4 135 735
Economic and Environmental Services:															
Planning and Development	212 160	5 147 781	5 359 941	-	-	5 359 941	1 788 067		(3 571 874)	33.36	842.79				391 655
Road Transport	116 619 061	26 474 023	143 093 083	-	(1 631 074)	141 462 010	84 278 676		(57 183 333)	59.58	72.27				53 980 204
Trading Services:															
Waste Management	1 571 976	1 072 000	2 643 976	-	-	2 643 976	8 675 820		6 031 844	328.14	551.91				2 661 831
Total Revenue - Standard	268 217 095	44 375 564	312 592 659	-	(2 108 074)	310 484 585	245 913 218	-	(64 571 367)	79.20	91.68	-	-	-	187 290 055
EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	31 590 423	748 084	32 338 507	-	166 488	32 504 995	29 696 042	-	(2 808 953)	91.36	94.00				28 619 473
Budget and Treasury Office	64 115 343	10 362 733	74 478 076	-	(8 743 543)	65 734 532	47 362 610	-	(18 371 922)	72.05	73.87				52 108 846
Corporate Services	16 217 724	(620 583)	15 597 141	-	555 477	16 152 618	14 928 782	-	(1 223 836)	92.42	92.05				14 235 517
Community and Public Safety:															
Community and Social Services	11 377 866	1 588 159	12 966 025	-	(1 959 820)	11 006 205	10 513 618	-	(492 588)	95.52	92.40				9 432 766
Public Safety	13 523 373	197 999	13 721 372	-	5 848 262	19 569 634	18 656 230	-	(913 404)	95.33	137.96				9 605 553
Economic and Environmental Services:															
Planning and Development	6 200 250	3 050 272	9 250 522	-	1 925 849	11 176 371	9 632 589	-	(1 543 782)	86.19	155.36				5 859 020
Road Transport	12 735 795	83 465 997	96 201 792	-	(71 418 512)	24 783 281	18 031 873	-	(6 751 408)	72.76	141.58				39 020 714
Trading Services:															
Waste Management	11 875 321	(463 000)	11 412 321	-	(511 603)	10 900 719	10 544 537	-	(356 182)	96.73	88.79				10 096 110
Total Expenditure - Standard	167 636 095	98 329 661	265 965 756	-	(74 137 400)	191 828 355	159 366 280	-	(32 462 076)	83.08	95.07	-	-	-	168 977 998
Surplus/(Deficit) for the year	100 581 000	(53 954 097)	46 626 903	-	72 029 327	118 656 230	86 546 938	-	(32 109 291)	72.94	86.05	-	-	-	18 312 056

APPENDIX E (2)
UMZIMVUBU LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14									2012/13				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE														
Vote 1 - Executive and Council	154 000	96 000	250 000	(300 000)	(50 000)	152 000		202 000	0.00	98.70				150 000
Vote 2 - Budget and Treasury	144 414 198	10 947 922	155 362 120	-	155 362 120	139 427 653		(15 934 467)	89.74	96.55				127 037 136
Vote 3 - Corporate Services	370 000	85 000	455 000	-	455 000	177 112		(277 888)	38.93	47.87				243 816
Vote 4 - Community and Social Services	6 447 676	1 624 839	8 072 515	(177 000)	7 895 515	20 089 711		12 194 196	254.44	311.58				5 487 244
Vote 5 - Local Economic Development	212 160	5 147 781	5 359 941	-	5 359 941	1 788 067		(3 571 874)	33.36	842.79				391 655
Vote 6 - Infrastructure and Planning	116 619 061	26 474 023	143 093 083	(1 631 074)	141 462 010	84 278 676		(57 183 333)	59.58	72.27				53 980 204
Total Revenue by Vote	268 217 095	44 375 564	312 592 659	(2 108 074)	310 484 585	245 913 218	-	(64 571 367)	79.20	91.68	-	-	-	187 290 055
EXPENDITURE BY VOTE														
Vote 1 - Executive and Council	40 100 130	268 084	40 368 214	393 339	40 761 553	37 529 789	-	(3 231 764)	92.07	93.59				35 509 859
Vote 2 - Budget and Treasury	64 115 343	10 362 733	74 478 076	(8 743 543)	65 734 532	47 362 610	-	(18 371 922)	72.05	73.87				52 108 846
Vote 3 - Corporate Services	16 217 724	(620 583)	15 597 141	555 477	16 152 618	14 928 782	-	(1 223 836)	92.42	92.05				14 235 517
Vote 4 - Community and Social Services	28 266 854	1 803 157	30 070 011	3 149 989	33 220 000	31 880 637	-	(1 339 363)	95.97	112.78				22 244 042
Vote 5 - Local Economic Development	6 200 250	3 050 272	9 250 522	1 925 849	11 176 371	9 632 589	-	(1 543 782)	86.19	155.36				5 859 020
Vote 6 - Infrastructure and Planning	12 735 795	83 465 997	96 201 792	(71 418 512)	24 783 281	18 031 873	-	(6 751 408)	72.76	141.58				39 020 714
Total Expenditure by Vote	167 636 095	98 329 661	265 965 756	(74 137 400)	191 828 355	159 366 280	-	(32 462 076)	83.08	95.07	-	-	-	168 977 998
Surplus/(Deficit) for the year	100 581 000	(53 954 097)	46 626 903	72 029 327	118 656 230	86 546 938	-	(32 109 291)	72.94	86.05	-	-	-	18 312 056

APPENDIX E (3)
UMZIMVUBU LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14										2012/13			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source														
Property Rates	8 900 000	100 000	9 000 000	-	9 000 000	8 468 165		(531 835)	94.09	95.15	-	-	-	10 756 087
Service Charges - Refuse	1 500 000	-	1 500 000		1 500 000	1 325 645		(174 355)	88.38	88.38	-	-	-	2 116 831
Rental of Facilities and Equipment	1 264 862	69 863	1 334 725	(70 000)	1 264 725	1 804 263		539 538	142.66	142.65	-	-	-	1 537 225
Interest Earned - External Investments	230 000	570 000	800 000	-	800 000	3 173 126		2 373 126	396.64	1 379.62	-	-	-	2 250 781
Interest Earned - Outstanding Debtors	750 000	100 000	850 000	-	850 000	1 139 373		289 373	134.04	151.92	-	-	-	1 138 910
Fines	800 000	(100 000)	700 000	-	700 000	7 011 338		6 311 338	1 001.62	876.42	-	-	-	438 192
Licences and Permits	2 282 160	2 500	2 284 660	-	2 284 660	2 680 885		396 225	117.34	117.47	-	-	-	2 110 477
Agency Services	1 110 000	-	1 110 000	-	1 110 000	1 392 701		282 701	125.47	125.47	-	-	-	1 295 379
Transfers Recognised - Operational	236 722 000	39 954 237	276 676 237	(1 920 000)	274 756 237	156 200 585		(118 555 652)	56.85	65.98	-	-	-	163 881 404
Other Revenue	13 802 773	3 678 964	17 481 737	(107 000)	17 374 737	1 946 952		(15 427 785)	11.21	14.11	-	-	-	1 764 770
Gains on Disposal of PPE	855 300	-	855 300	(11 074)	844 227	397 250		(446 977)	47.05	46.45	-	-	-	-
Total Revenue (excluding Capital Transfers & Contrib	268 217 095	44 375 564	312 592 659	(2 108 074)	310 484 585	185 540 282	-	(124 944 303)	59.76	69.18	-	-	-	187 290 055
Expenditure														
Employee Related Costs	49 258 242	(2 877 551)	46 380 691	876 455	47 257 146	45 599 361	-	(1 657 785)	96.49	92.57	-	-	-	39 434 554
Remuneration of Councillors	13 816 931	(1)	13 816 930	37 153	13 854 083	13 847 864	-	(6 219)	99.96	100.22	-	-	-	13 219 975
Debt Impairment	3 200 000	-	3 200 000	5 360 000	8 560 000	2 156 536	-	(6 403 464)	25.19	67.39	-	-	-	6 473 445
Depreciation and Asset Impairment	38 000 000	-	38 000 000	(5 539 039)	32 460 961	24 460 465	-	(8 000 496)	75.35	64.37	-	-	-	21 956 400
Finance Charges	20 000	-	20 000	1 815 695	1 835 695	1 776 403	-	(59 292)	96.77	8 882.01	-	-	-	972 496
Other Materials	2 875 829	397 109	3 272 938	(674 729)	2 598 209	2 331 654	-	(266 556)	89.74	81.08	-	-	-	2 308 781
Contracted Services	5 346 490	900 001	6 246 490	(422 979)	5 823 511	5 646 406	-	(177 105)	96.96	105.61	-	-	-	5 593 305
Transfers and Grants	4 628 800	78 883 000	83 511 800	(74 093 000)	9 418 800	3 371 167	-	(6 047 633)	35.79	72.83	-	-	-	31 075 421
Other Expenditure	50 489 803	18 027 104	68 516 907	(1 496 956)	67 019 951	59 799 957	-	(7 219 994)	89.23	118.44	-	-	-	47 904 656
Loss on Disposal of PPE	-	3 000 000	3 000 000	-	3 000 000	376 469	-	(2 623 531)	12.55	0.00	-	-	-	38 967
Total Expenditure	167 636 095	98 329 661	265 965 756	(74 137 400)	191 828 355	159 366 280	-	(32 462 076)	83.08	95.07	-	-	-	168 977 998
Surplus/(Deficit)	100 581 000	(53 954 097)	46 626 903	72 029 327	118 656 230	26 174 002		(92 482 228)	22.06	26.02	-	-	-	18 312 056
Transfers Recognised - Capital	-	-	-	-	-	60 372 936		60 372 936	0.00	0.00	-	-	-	-
Surplus/(Deficit) for the Year	100 581 000	(53 954 097)	46 626 903	72 029 327	118 656 230	86 546 938	-	(32 109 291)	72.94	86.05	-	-	-	18 312 056

APPENDIX E(4)
UMZIMVUBU LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14										2012/13			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
CAPITAL EXPENDITURE - VOTE	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Multi-year Expenditure														
Executive and Council	280 000	159 000	439 000	(124 000)	315 000	129 003		(185 997)	40.95	46.07	-	-	-	-
Budget and Treasury	650 000	300 000	950 000	8 025	958 025	917 068		(40 957)	95.72	141.09	-	-	-	-
Corporate Services	700 000	607 900	1 307 900	86 520	1 394 420	877 622		(516 798)	62.94	125.37	-	-	-	-
Local Economic Development	2 550 000	3 110 281	5 660 281	-	5 660 281	3 941 271		(1 719 010)	69.63	154.56	-	-	-	-
Infrastructure and Planning	132 366 000	(101 382 117)	30 983 883	104 627 503	135 611 386	108 937 114		(26 674 272)	80.33	82.30	-	-	-	-
Community and Social Services	35 000	35 000	70 000	14 005 000	14 075 000	14 054 779		(20 221)	99.86	40 156.51	-	-	-	-
Waste Management	4 250 000	365 000	4 615 000	563 589	5 178 589	3 907 790		(1 270 799)	75.46	91.95	-	-	-	-
Public Safety	950 000	850 839	1 800 839	-	1 800 839	1 329 262		(471 577)	73.81	139.92	-	-	-	-
Total Capital Expenditure - Multi-year	141 781 000	(95 954 097)	45 826 903	119 166 637	164 993 540	134 093 910	-	(30 899 630)	81.27	94.58	-	-	-	-
Total Capital Expenditure - Vote	141 781 000	(95 954 097)	45 826 903	119 166 637	164 993 540	134 093 910	-	(30 899 630)	81.27	94.58	-	-	-	-
CAPITAL EXPENDITURE - STANDARD														
Governance and Administration:														
Executive and Council	280 000	159 000	439 000	(124 000)	315 000	129 003	-	(185 997)	40.95	46.07	-	-	-	910 058
Budget and Treasury Office	650 000	300 000	950 000	8 025	958 025	917 068	-	(40 957)	95.72	141.09	-	-	-	788 225
Corporate Services	700 000	607 900	1 307 900	86 520	1 394 420	877 622	-	(516 798)	62.94	125.37	-	-	-	-
Community and Public Safety:														
Community and Social Services	35 000	35 000	70 000	14 005 000	14 075 000	14 054 779	-	(20 221)	99.86	40 156.51	-	-	-	38 546 232
Public Safety	950 000	850 839	1 800 839	-	1 800 839	1 329 262	-	(471 577)	73.81	139.92	-	-	-	4 027 946
Economic and Environmental Services:														
Planning and Development	2 550 000	3 110 281	5 660 281	-	5 660 281	3 941 271	-	(1 719 010)	69.63	154.56	-	-	-	-
Road Transport	132 366 000	(101 382 117)	30 983 883	104 627 503	135 611 386	108 937 114	-	(26 674 272)	80.33	82.30	-	-	-	-
Trading Services:														
Waste Management	4 250 000	365 000	4 615 000	563 589	5 178 589	3 907 790	-	(1 270 799)	75.46	91.95	-	-	-	-
Total Capital Expenditure - Standard	141 781 000	(95 954 097)	45 826 903	119 166 637	164 993 540	134 093 910	-	(30 899 630)	81.27	94.58	-	-	-	50 211 478
FUNDED BY:														
National Government	141 781 000	(95 954 097)	45 826 903	119 166 637	164 993 540	134 093 910	-	(30 899 630)	81.27	94.58	-	-	-	-
Total Capital Funding	141 781 000	(95 954 097)	45 826 903	119 166 637	164 993 540	134 093 910	-	(30 899 630)	81.27	94.58	-	-	-	-
		0	0	(0)	0	0		0						

APPENDIX E(5)
UMZIMVUBU LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14								2012/13
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
CASH FLOW FROM OPERATING ACTIVITIES	R	R	R	R	R	R	R	R	R
Receipts									
Ratepayers and Other	30 454 795	-	30 454 795	30 454 795	10 818 739	(19 636 056)	35.52	35.52	11 615 324
Government - Operating	246 897 814	57 960 148	304 857 962	304 857 962	135 663 313				166 028 424
Government - Capital	-	-	-	-	60 372 936	60 372 936	0.00	0.00	19 676 576
Interest	230 000	-	230 000	230 000	3 876 225	3 646 225	1 685.32	1 685.32	2 367 222
Payments									
Suppliers and Employees	(140 248 997)	1 501 399	(138 747 598)	(212 840 598)	(131 127 816)	81 712 782	0.00	0.00	(102 387 300)
Finance Charges	(20 000)	-	(20 000)	(20 000)	(1 776 403)	(1 756 403)	0.00	0.00	(972 496)
Transfers and Grants	(4 628 800)	(78 883 000)	(83 511 800)	(9 418 800)	(3 371 167)	6 047 633	0.00	0.00	(31 075 421)
NET CASH FROM / (USED) OPERATING ACTIVITIES	132 684 812	(19 421 453)	113 263 359	113 263 359	74 455 829	130 387 119	65.74	56.11	65 252 329
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	(38 967)	-	(38 967)	(38 967)	3 525 630	3 564 597	0.00	0.00	36 274
Payments									
Capital Assets	141 981 000	(51 189 097)	90 791 903	90 791 903	(134 093 910)	(224 885 813)	0.00	0.00	(50 017 689)
NET CASH FROM / (USED) INVESTING ACTIVITIES	141 942 033	(51 189 097)	90 752 936	90 752 936	(130 568 280)	(221 321 216)	0.00	0.00	(49 981 416)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
New Loans raised	-	-	-	-	50 000 000	50 000 000	0.00	0.00	-
Payments									
Loans repaid	-	-	-	-	(348 650)	(348 650)	0.00	0.00	(318 749)
NET CASH FROM / (USED) FINANCING ACTIVITIES	-	-	-	-	49 651 350	49 651 350	0.00	0.00	(318 749)
NET INCREASE / (DECREASE) IN CASH HELD	(274 626 845)	70 610 550	(204 016 295)	(204 016 295)	6 461 101	210 477 397	0.00	0.00	(14 952 164)
Cash / Cash Equivalents at the Year begin:	49 511 900	-	49 511 900	49 511 900	49 511 022	(878)	100.00	100.00	34 558 858
Cash / Cash Equivalents at the Year end:	324 138 745	(70 610 550)	253 528 195	253 528 195	43 049 921	(210 478 274)	16.98	13.28	49 511 022

APPENDIX F
UMZIMVUBU LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	49 098 000	37 012 000	29 458 000	0	27 928 933	29 534 044	28 892 000	29 213 022						Yes	
FMG	Nat Treasury	1 550 000	0	0	0	165 030	571 516	413 918	0						Yes	
MIG Projects	MIG	40 066 000	0	0	0	9 032 509	15 577 063	10 172 569	25 590 795						Yes	
DME Projects	DME	20 000 000	0	0	0	15 350 877	0	0	4 649 123						Yes	
MSIG	DPLG	890 000	0	0	0	0	141 291	207 017	541 794						Yes	
EPWP Incentive Grant	Province	1 220 000	0	0	0	439 728	569 847	660 304	1 115 368						Yes	
Total Grants and Subsidies Received		112 824 000	37 012 000	29 458 000	0	52 917 078	46 393 762	40 345 807	61 110 103	0	0	0	0			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																

APPENDIX G
UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2014

Incumbent	Personal Reference Number	Period		Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commission Gains or Surpluses	Any Other Benefits	Total Remuneration
		From	To												
Mayor				R	R	R	R	R	R	R	R	R	R	R	R
KS Pangwa	3078	2013/07/01	2014/06/30	-	349 672	-	266 211	40 496							656 379
Speaker: Part Time															-
Speaker: Full Time															
ZO Sisilana	3159	2013/07/01	2014/06/30		279 738	-	247 570	57 720							585 028
Chief WIP: Part Time															-
Chief WIP: Full Time															
N Mbele	3117	2013/07/01	2014/06/30		262 254	-	261 273	24 208							547 735
Executive Committee															
MV Nkqayi	3116	2013/07/01	2014/06/30	-	262 254	-	246 897	24 208							533 359
VA Bulana	3085	2013/07/01	2014/06/30	-	144 239	-	125 536	29 842							299 618
LT Qasha	3150	2013/07/01	2014/06/30	-	262 254	-	236 134	63 429							561 818
Z Ndevu	3045	2013/07/01	2014/06/30	-	262 254	-	231 977	37 248							531 479
EN Ngalonkulu - Lebelo	3047	2013/07/01	2014/06/30	-	144 239	-	93 005	28 765							266 010
N Mpumlwana	3136	2013/07/01	2014/06/30	-	262 254	-	242 870	24 208							529 333
N Nkula	3118	2013/07/01	2014/06/30	-	144 239	-	157 745	20 304							322 289
PK Thingathinga	3102	2013/07/01	2014/06/30	-	144 239	-	133 634	20 305							298 178
Other Councillors															
FJ Hem	3156	2013/07/01	2014/06/30	-	104 902	-	83 679	9 683							198 264
AL Mwezula	3140	2013/07/01	2014/06/30	-	104 902	-	83 679	9 683							198 264
MM Mpepanduku	3091	2013/07/01	2014/06/30	-	104 902	-	76 735	20 313							201 949
X Jona	3158	2013/07/01	2014/06/30	-	104 902	-	79 178	9 683							193 763
M Mpakumpaku	3154	2013/07/01	2014/06/30	-	104 902	-	88 203	9 683							202 788
NM Mlenzana	3147	2013/07/01	2014/06/30	-	104 902	-	100 201	19 497							224 600
M Jojo	3122	2013/07/01	2014/06/30	-	104 902	-	86 268	14 767							205 936
ZJ Mendu	3128	2013/07/01	2014/06/30	-	104 902	-	87 082	9 683							201 666
V Nyangane	3131	2013/07/01	2014/06/30	-	104 902	-	72 365	17 902							195 168
N Gogela	3145	2013/07/01	2014/06/30	-	104 902	-	83 679	9 683							198 264
ZB Mtebele	3138	2013/07/01	2014/06/30	-	121 847	-	47 739	20 313							189 899
CT Ndawo	3137	2013/07/01	2014/06/30	-	104 902	-	83 679	9 683							198 264
BMA Zililo	3129	2013/07/01	2014/06/30	-	104 902	-	83 679	9 683							198 264
N Sonyabashi	3135	2013/07/01	2014/06/30	-	104 902	-	76 533	14 767							196 201
SAN Cekeshe	3113	2013/07/01	2014/06/30	-	104 902	-	97 604	14 767							217 273
S Mankanku	3132	2013/07/01	2014/06/30	-	104 902	-	82 768	9 683							197 353
NT Xezu	3112	2013/07/01	2014/06/30	-	104 902	-	83 679	9 683							198 264
N Jijana	3142	2013/07/01	2014/06/30	-	104 902	-	83 679	9 683							198 264
V Ngabaza	3123	2013/07/01	2014/06/30	-	104 902	-	67 328	20 206							192 435
FN Ngonyolo	3115	2013/07/01	2014/06/30	-	104 902	-	67 226	25 396							197 524
CM Ngalonkulu	3114	2013/07/01	2014/06/30	-	104 902	-	83 679	9 683							198 264
BT Ngqasa	3149	2013/07/01	2014/06/30	-	104 902	-	104 404	9 683							218 989
MH Kwekwile	3133	2013/07/01	2014/06/30	-	104 902	-	77 514	9 683							192 099
NA Sobahle	3139	2013/07/01	2014/06/30	-	116 764	-	70 038	16 546							203 348
NP Ndabeni	3126	2013/07/01	2014/06/30	-	104 902	-	79 914	9 683							194 499

S Nogcantsi	3130	2013/07/01	2014/06/30	-	104 902	-	83 679	9 683							198 264
SP Myingwa	3157	2013/07/01	2014/06/30	-	104 902	-	83 679	9 683							198 264
NE Pakkies	3122	2013/07/01	2014/06/30	-	104 902	-	86 443	9 683							201 028
T Mabindisa	3141	2013/07/01	2014/06/30	-	104 902	-	90 328	9 683							204 913
MM Gwanya	3155	2013/07/01	2014/06/30	-	104 902	-	83 679	9 683							198 264
AZ Gwebani	3006	2013/07/01	2014/06/30	-	104 902	-	95 909	9 683							210 494
N Boyce	3125	2013/07/01	2014/06/30	-	104 902	-	81 598	14 767							201 267
B Mngweba	3127	2013/07/01	2014/06/30	-	121 847	-	64 192	9 683							195 723
NO Godlo	3124	2013/07/01	2014/06/30	-	104 902	-	85 965	9 683							200 550
NP Mlandu	3120	2013/07/01	2014/06/30	-	121 847	-	47 739	20 313							189 899
GU Makanda	3088	2013/07/01	2014/06/30	-	104 902	-	83 679	9 683							198 264
TA Mambi	3146	2013/07/01	2014/06/30	-	104 902	-	85 223	14 767							204 891
F Ntwakumba	3143	2013/07/01	2014/06/30	-	104 902	-	77 855	9 683							192 440
NN Gcadinja	3084	2013/07/01	2014/06/30	-	104 902	-	75 600	14 878							195 379
N Mpanda	3094	2013/07/01	2014/06/30	-	134 624	-	132 768	18 859							286 251
SK Mnukwa	3153	2013/07/01	2014/06/30	-	104 902	-	81 500	22 974							209 376
B Ripa	3148	2013/07/01	2014/06/30	-	104 902	-	103 541	9 683							218 126
NA Matshongo	3144	2013/07/01	2014/06/30	-	104 902	-	83 679	14 767							203 348
Total for Councillors				-	7 120 829	-	5 800 447	928 297	-	-	-	-	-	-	13 849 573

30 June 2014

Incumbent	Personal Reference Number	Period From To	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post-employment Benefits	Termination Benefits	Other Long-term Benefits	Commission Gains or Surpluses	Any Other Benefits	Total Remuneration
				R	R	R	R	R	R	R	R	R	R	R
GPT Nota	4274	2013/07/01 2014/06/30	-	711 432	151 384	256 446	176 175							1 295 437
Chief Financial Officer														
X. Venn	4314	2013/07/01 2014/06/30	-	533 393	55 611	269 037	43 676							901 717
Manager: Community Services														
M Sineke	4281	2013/07/01 2014/06/30	-	533 393	89 655	305 002	-							928 051
Manager: Corporate Services														
N Kubone	4280	2013/07/01 2014/06/30	-	533 393	89 655	284 055	30 461							937 565
Manager: Local Economic Development														
SL Batyi	4267	2013/07/01 2014/06/30	-	533 394	52 290	284 958	43 676							914 317
Manager: Infrastructure and Planning														
SP Ntonga	1517	2013/07/01 2014/06/30	-	606 752	89 655	321 923	-							1 018 329
Manager: Chief Operations Officer														
S Kulu	4158	2013/07/01 2014/06/30	-	533 393	89 655	256 432	58 883							938 363
Total for Senior Managers			-	3 985 151	617 905	1 977 854	352 871	-	-	-	-	-	-	6 933 780
Total for Management			-	11 105 979	617 905	7 778 301	1 281 168	-	-	-	-	-	-	20 783 353

30 June 2013

Incumbent	Personal Reference Number	Period From To	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post-employment Benefits	Termination Benefits	Other Long-term Benefits	Commission Gains or Surpluses	Any Other Benefits	Total Remuneration
Mayor			R	R	R	R	R	R	R	R	R	R	R	R

KS Pangwa	3078	2012/07/01	2013/06/30	-	337 005	-	251 698	62 160									650 863
Speaker: Part Time																	-
Speaker: Full Time																	
ZO Sisilana	3159	2012/07/01	2013/06/30		285 427	-	220 863	59 098									565 389
Chief WIP: Part Time																	-
Chief WIP: Full Time																	
N Mbele	3117	2012/07/01	2013/06/30		253 918	-	227 108	45 288									526 314
Executive Committee																	
MV Nkqayi	3116	2012/07/01	2013/06/30	-	250 441	-	237 691	45 288									533 420
VA Bulana	3085	2012/07/01	2013/06/30	-	141 775	-	130 397	39 774									311 946
LT Qasha	3150	2012/07/01	2013/06/30	-	250 441	-	204 781	61 858									517 079
Z Ndevu	3045	2012/07/01	2013/06/30	-	254 309	-	212 733	53 438									520 480
EN Ngalonkulu - Lebelo	3047	2012/07/01	2013/06/30	-	142 060	-	89 995	39 101									271 156
N Mpumlwana	3136	2012/07/01	2013/06/30	-	250 441	-	204 460	45 288									500 188
N Nkula	3118	2012/07/01	2013/06/30	-	138 192	-	109 984	29 444									277 620
PK Thingathinga	3102	2012/07/01	2013/06/30	-	142 060	-	114 237	29 444									285 742
Other Councillors																	
FJ Hem	3156	2012/07/01	2013/06/30	-	100 027	-	69 725	24 163									193 915
AL Mwezula	3140	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163									194 664
MM Mpepanduku	3091	2012/07/01	2013/06/30	-	104 359	-	63 081	30 807									198 247
X Jona	3158	2012/07/01	2013/06/30	-	99 777	-	69 725	24 163									193 665
M Mpakumpaku	3154	2012/07/01	2013/06/30	-	100 776	-	71 067	24 163									196 005
NM Mlenzana	3147	2012/07/01	2013/06/30	-	100 776	-	85 284	30 297									216 356
M Jojo	3122	2012/07/01	2013/06/30	-	100 776	-	72 053	24 163									196 992
ZJ Mendu	3128	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163									194 664
V Nyangane	3131	2012/07/01	2013/06/30	-	100 776	-	67 332	29 300									197 408
N Gogela	3145	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163									194 664
ZB Mtebele	3138	2012/07/01	2013/06/30	-	100 776	-	63 081	30 807									194 664
CT Ndawo	3137	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163									194 664
BMA Zililo	3129	2012/07/01	2013/06/30	-	100 776	-	71 507	24 163									196 446
N Sonyabashi	3135	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163									194 664
SAN Cekeshe	3113	2012/07/01	2013/06/30	-	100 776	-	74 993	24 163									199 932
S Mankanku	3132	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163									194 664
NT Xezu	3112	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163									194 664
N Jijana	3142	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163									194 664
V Ngabaza	3123	2012/07/01	2013/06/30	-	100 776	-	63 148	30 740									194 664
FN Ngonyolo	3115	2012/07/01	2013/06/30	-	100 776	-	63 081	30 807									194 664
CM Ngalonkulu	3114	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163									194 664
BT Ngqasa	3149	2012/07/01	2013/06/30	-	100 776	-	84 984	24 163									209 923
MH Kwekwile	3133	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163									194 664
NA Sobahle	3139	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163									194 664
NP Ndabeni	3126	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163									194 664
S Nogcantsi	3130	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163									194 664
SP Myingwa	3157	2012/07/01	2013/06/30	-	99 777	-	69 725	24 163									193 665
NE Pakkies	3122	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163									194 664
T Mabindisa	3141	2012/07/01	2013/06/30	-	100 776	-	76 892	24 163									201 831
MM Gwanya	3155	2012/07/01	2013/06/30	-	100 027	-	69 725	24 163									193 915
AZ Gwebani	3006	2012/07/01	2013/06/30	-	104 644	-	77 355	24 163									206 162
N Boyce	3125	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163									194 664
B Mngweba	3127	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163									194 664
NO Godlo	3124	2012/07/01	2013/06/30	-	100 776	-	71 100	24 163									196 039
NP Mlandu	3120	2012/07/01	2013/06/30	-	100 776	-	63 081	30 807									194 664
GU Makanda	3088	2012/07/01	2013/06/30	-	104 359	-	70 694	24 163									199 216
TA Mambi	3146	2012/07/01	2013/06/30	-	100 776	-	71 233	24 163									196 172

F Ntwakumba	3143	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163							194 664
NN Gcadinja	3084	2012/07/01	2013/06/30	-	104 644	-	66 478	27 410							198 532
N Mpanda	3094	2012/07/01	2013/06/30	-	144 110	-	81 404	29 555							255 069
SK Mnukwa	3153	2012/07/01	2013/06/30	-	104 644	-	70 192	32 470							207 305
B Ripa	3148	2012/07/01	2013/06/30	-	100 776	-	71 657	24 163							196 596
NA Matshongo	3144	2012/07/01	2013/06/30	-	100 776	-	69 725	24 163							194 664
Total for Councillors				-	6 838 035	-	5 037 586	1 610 566	-	-	-	-	-	-	13 486 187

30 June 2013

Incumbent	Personal Reference Number	Period		Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post-employment Benefits	Termination Benefits	Other Long-term Benefits	Commission Gains or Surpluses	Any Other Benefits	Total Remuneration
		From	To	R	R	R	R	R	R	R	R	R	R	R	R
GPT Nota	4274	2012/07/01	2013/06/30	-	736 720	110 055	280 865	138 486							1 266 126
Chief Financial Officer															
M Hloba	4233	2012/07/01	2012/08/30	-	215 132	79 600	62 073	13 255							370 060
X. Msuthu (Acting)	4314	2012/09/01	2013/06/30	-	422 433	68 236	186 750	44 290							721 709
Manager: Community Services															
M Sineke	4281	2012/07/01	2013/06/30	-	501 087	86 541	286 107	-							873 735
Manager: Corporate Services															
N Kubone	4280	2012/07/01	2013/06/30	-	500 962	86 541	267 932	28 515							883 950
Manager: Local Economic Development															
SL Batyi (Acting)	4267	2012/07/01	2013/06/30	-	395 803	62 425	243 556	30 225							732 010
Manager: Infrastructure and Planning															
SP Ntonga	1517	2012/07/01	2013/06/30	-	502 584	86 541	306 151	-							895 276
Manager: Chief Operations Officer															
S Kulu	4158	2012/07/01	2013/06/30	-	532 678	69 981	231 003	55 121							888 783
Total for Senior Managers				-	3 807 397	649 921	1 864 437	309 893	-	-	-	-	-	-	6 631 648
Total for Management				-	10 645 432	649 921	6 902 023	1 920 459	-	-	-	-	-	-	20 117 835

APPENDIX H
UMZIMVUBU LOCAL MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2014

Ratio		Formula	Data Source	Norm / Range	Input Description		Data Inputs and Results		Interpretation	Management Comments (#)
							2014	2013		
1. FINANCIAL POSITION										
A. Asset Management / Utilisation										
1.	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	10% - 20%			45.69%	22.91%	Refer to Page 2 of MFMA Circular No 71	The Municipality is rural and has serious infrastructural backlogs. There are Local Economic Development projects within the capital budget.
					Total Operating Expenditure		159 366 280	168 977 998		
					Taxation Expense		-	-		
					Total Capital Expenditure		134 093 910	50 211 478		
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment / (Total Property, Plant and Equipment + Investment Property + Intangible Assets) × 100	Statement of Financial Position, Notes to the AFS and AR	0%			0.00%	0.00%	Refer to Page 3 of MFMA Circular No 71	This is within the norm so there is no service delivery risk.
					PPE, Investment Property & Intangible Impairment		5 916	-		
					PPE at Carrying Value		377 717 954	268 159 560		
					IP at Carrying Value		20 411 575	23 679 800		
					Intangible Assets at Carrying Value		871 425	1 032 998		
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying value) × 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-year Reports	8%			0.59%	0.79%	Refer to Page 4 of MFMA Circular No 71	The bulk of the maintenance done is on gravel roads and because it extend the remaining useful life of the asset it is capitalise and not shown as operating maintenance.
					Total Repairs and Maintenance Expenditure		2 331 654	2 308 781		
					PPE at Carrying Value		377 717 954	268 159 560		
					Investment Property at Carrying Value		20 411 575	23 679 800		
B. Debtors Management										
1.	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written-off) / Billed Revenue × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	95%			87.06%	59.91%	Refer to Page 5 of MFMA Circular No 71	The Collection rate for the Municipality has improved after implemenatation of Ratepayer's incentive structure.
					Gross Debtors Closing Balance		31 033 781	41 066 825		
					Gross Debtors Opening Balance		41 066 825	35 450 095		
					Bad Debts Written-off		11 448 326	-		
					Billed Revenue		10 933 183	14 011 828		
2.	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off / Provision for Bad Debts × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%			39.11%	0.00%	Refer to Page 5 of MFMA Circular No 71	The Municipality is systematically identifying all debts that are not recoverable and engaging the affected parties.
					Consumer Debtors Bad Debts Written-off		11 448 326	-		
					Consumer Debtors Current Bad Debt Provision		29 274 424	40 400 426		
3.	Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue)) × 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 Days			262 Days	17 Days	Refer to Page 6 of MFMA Circular No 71	The Municipality does have a issues with old debt not being collectible even though the credit control policy is being implemented .
					Gross Debtors		31 033 781	41 066 825		
					Bad Debts Provision		23 190 346	40 400 426		
					Billed Revenue		10 933 183	14 011 828		
C. Liquidity Management										
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short-term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports and AR	1 - 3 Months			4 Months	2 Months	Refer to Page 7 of MFMA Circular No 71	The Municipality is within the prescribed norm and will be in a position to meet its obligations during 2014.
					Cash and Cash Equivalents		43 049 921	49 511 022		
					Unspent Conditional Grants		3 150 060	23 567 031		
					Overdraft		-	-		
					Short-term Investments		-	-		
					Total Annual Operational Expenditure		132 372 811	140 509 187		
2.	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1			1.85	1.47	Refer to Page 7 of MFMA Circular No 71	The Municipality is currently within the norm
					Current Assets		66 540 818	54 538 684		
					Current Liabilities		35 914 933	37 095 816		

APPENDIX H
UMZIMVUBU LOCAL MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2014

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2014	2013		
C. Liability Management									
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-year Reports and AR	6% - 8%	Interest Paid Redemption Total Operating Expenditure Taxation Expense	0.61% 1 320 294 (348 650) 159 366 280 -	-0.13% 100 058 (318 749) 168 977 998 -	Refer to Page 8 of MFMA Circular No 71	The Municipality is within the norm.
2.	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non-current Finance Lease Obligation + Short-term Borrowings + Long-term Borrowings) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%	Total Debt Total Operating Revenue Operational Conditional Grants	41.11% 50 588 079 245 913 218 122 848 943	1.16% 936 730 187 290 055 106 193 000	Refer to Page 9 of MFMA Circular No 71	The Municipality has borrowed funds from DBSA for Electrification of Villages.
C. Sustainability									
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank Overdraft + Short-term Investment + Long-term Investment - Unspent Grants) / (Net Assets - Accumulated Surplus - Non-controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%	Cash and Cash Equivalents Bank Overdraft Short Term Investment Long Term Investment Unspent Grants Net Assets Share Premium Share Capital Revaluation Reserve Fair Value Adjustment Reserve Accumulated Surplus	100.00% 43 049 921 - - - 3 150 060 386 286 872 - - - - 386 286 872	100.00% 49 511 022 - - - 23 567 031 299 755 373 - - - - 299 755 373	Refer to Page 9 of MFMA Circular No 71	
2. FINANCIAL PERFORMANCE									
A. Efficiency									
1.	Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure) / Total Operating Revenue	Statement of Financial Performance, Budget, In-year Reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Assets	= or > 0%	Total Operating Revenue Depreciation - Revalued Portion Total Operating Expenditure Taxation Expense	35.24% 245 515 968 - 158 989 811 -	9.80% 187 290 055 - 168 939 032 -	Refer to Page 10 of MFMA Circular No 71	The Municipality is within the required norm.
2.	Net Surplus / Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%	Total Refuse Revenue Total Refuse Expenditure	-21.54% 8 675 820 10 544 537	-279.29% 2 661 831 10 096 110	Refer to Page 12 of MFMA Circular No 71	The Municipality is ensuring that environmental laws are adhered to at all times.

APPENDIX H
UMZIMVUBU LOCAL MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2014

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2014	2013		
B. Distribution Losses									
C. Revenue Management									
1.	Growth in Number of Active Consumer Accounts	((Period under Review's Number of Active Debtor Accounts - Previous Period's Number of Active Debtor Accounts) / Previous Number of Active Debtor Accounts) x 100	Debtors System	None		0.00%	0.00%	Refer to Page 14 of MFMA Circular No 71	
					Number of Active Debtors Accounts (Previous)	-	-		
					Number of Active Debtors Accounts (Current)	-	-		
2.	Revenue Growth (%)	((Period under Review's Total Revenue - Previous Period's Total Revenue) / Previous Period's Total Revenue) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	= CPI		31.30%	39.26%	Refer to Page 15 of MFMA Circular No 71	Revenue decreased due to implemenatation of new valuation roll.
					CPI	7.00%	7.00%		
					Total Revenue (Previous)	187 290 055	134 490 368		
					Total Revenue (Current)	245 913 218	187 290 055		
3.	Revenue Growth (%) - Excluding Capital Grants	((Period under Review's Total Revenue, excluding Capital Grants - Previous Period's Total Revenue, excluding Capital Grants) / Previous Period's Total Revenue, excluding Capital Grants) x 100	Statement of Financial Performance, Notes to AFS , Budget, IDP, In-year Reports and AR	= CPI		10.70%	43.89%	Refer to Page 15 of MFMA Circular No 71	Revenue decreased due to identification of Municipal properties that were being billed and implementation of the new valuation roll.
					CPI	7.00%	7.00%		
					Total Revenue, excluding Capital Grants (Previous)	167 613 479	116 485 235		
					Total Revenue, excluding Capital Grants (Current)	185 540 282	167 613 479		
D. Expenditure Management									
1.	Creditors Payment Period (Trade Creditors)	(Trade Creditors Outstanding / Credit Purchases (Operating and Capital)) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days		14 Days	34 Days	Refer to Page 16 of MFMA Circular No 71	The municipality pays creditors weekly.
					Trade Creditors	7 064 578	9 154 928		
					Contracted Services	5 646 406	5 593 305		
					Repairs and Maintenance	2 331 654	2 308 781		
					General Expenses	46 713 991	39 847 797		
					Bulk Purchases	-	-		
					Capital Credit Purchases	134 093 910	50 017 689		
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	((Irregular, Fruitless & Wasteful and Unauthorised Expenditure) / Total Operating Expenditure) x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		0.00%	0.39%	Refer to Page 16 of MFMA Circular No 71	The Municipality is within the required norm in the current year. Previously this was due to people in the service of the state trading with the Municipality.
					Irregular, Fruitless & Wasteful and Unauthorised Expenditure	0	666 232		
					Total Operating Expenditure	159 366 280	168 977 998		
					Taxation Expense	-	-		
3.	Remuneration as % of Total Operating Expenditure	(Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	25% - 40%		37.30%	31.16%	Refer to Page 17 of MFMA Circular No 71	The Municipality is within the required norm.
					Employee / Personnel Related Cost	45 599 361	39 434 554		
					Councillors Remuneration	13 847 864	13 219 975		
					Total Operating Expenditure	159 366 280	168 977 998		
					Taxation Expense	-	-		
4.	Contracted Services % of Total Operating Expenditure	(Contracted Services / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	2% - 5%		3.54%	3.31%	Refer to Page 17 of MFMA Circular No 71	The Municipality is within the required norm.
					Contracted Services	5 646 406	5 593 305		
					Total Operating Expenditure	159 366 280	168 977 998		
					Taxation Expense	-	-		

APPENDIX H
UMZIMVUBU LOCAL MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2014

Ratio		Formula	Data Source	Norm / Range	Input Description		Data Inputs and Results		Interpretation	Management Comments (#)
							2014	2013		
E. Grant Dependency										
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None			0.00%	0.00%	Refer to Page 18 of MFMA Circular No 71	Capital is mostly funded from Equitable Share and MIG Grants. Only the moveable assets are funded from own revenue.
					Internally Generated Funds			-		
					Borrowings			-		
					Total Capital Expenditure	134 093 910	50 211 478			
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None			0.00%	0.00%	Refer to Page 18 of MFMA Circular No 71	
					Internally Generated Funds			-		
					Total Capital Expenditure	134 093 910	50 211 478			
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	(Own Source Revenue (Total Revenue - Government Grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including Agency Services)) x 100	Statement Financial Performance, Budget, IDP, In-year Reports and AR	None			19.26%	18.06%	Refer to Page 18 of MFMA Circular No 71	
					Total Revenue	245 913 218	187 290 055			
					Government Grant and Subsidies	216 453 221	163 875 404			
					Public Contributions and Donations	120 300	6 000			
					Capital Grants	93 604 278	57 682 404			
3. BUDGET IMPLEMENTATION										
A. Efficiency										
1.	Capital Expenditure Budget Implementation Indicator	(Actual Capital Expenditure / Budgeted Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, In-year Reports and AR	95% - 100%			81.27%	67.20%	Refer to Page 19 of MFMA Circular No 71	The Municipality has some roll overs for the year.
					Actual Capital Expenditure	134 093 910	50 211 478			
					Budgeted Capital Expenditure	164 993 540	74 719 109			
2.	Operating Expenditure Budget Implementation Indicator	(Actual Operating Expenditure / Budgeted Operating Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%			83.08%	83.51%	Refer to Page 20 of MFMA Circular No 71	The Municipality made some savings on the operational budget because all the operational projects were completed.
					Actual Operating Expenditure	159 366 280	168 977 998			
					Budgeted Operating Expenditure	191 828 355	202 337 152			
3.	Operating Revenue Budget Implementation Indicator	(Actual Operating Revenue / Budgeted Operating Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%			79.20%	82.22%	Refer to Page 20 of MFMA Circular No 71	The Munuicipality has a shortfall in terms of operating revenue collection.
					Actual Operating Revenue	245 913 218	187 290 055			
					Budgeted Operating Revenue	310 484 585	227 798 199			
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	(Actual Service Charges and Property Rates Revenue / Budgeted Service Charges and Property Rates Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%			93.27%	136.48%	Refer to Page 21 of MFMA Circular No 71	There is a general culture of non-payment amongst the rate-payers but it is slowly dying.
					Actual Service Charges and Property Rates Revenue	9 793 810	12 872 918			
					Budgeted Service Charges and Property Rates Revenue	10 500 000	9 432 000			
Interpretation of Results:										
	The green colour indicates that the result is within the norm and is acceptable.									
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.									
	Data should be captured in the blue coloured cell to calculate a ratio.									
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.									